[Note: For the website only. NOT to be included in the printed version of the Prospectus]

The Prospectus is being displayed in the website to make the Prospectus accessible to more investors. The Philippine Stock Exchange, Inc. ("PSE") assumes no responsibility for the correctness of any statements made or opinions or reports expressed in the Prospectus. Furthermore, the PSE makes no representation as to the completeness of the Prospectus and disclaims any liability whatsoever for any loss arising from or in reliance in whole or in part on the contents of the Prospectus.

STA. LUCIA LAND INC.

Sta. Lucia Land, Inc.

(incorporated in the Republic of the Philippines)

Primary Offer of [1,000,000,000 up to 2,500,000,000] Common Shares with an Over-subscription Option of up to [500,000,000] Common Shares at an Offer Price of [₱2.38 to ₱ 3.29] per Offer Share, to be listed and traded on the Main Board of The Philippine Stock Exchange, Inc.

Sole Issue Manager, Lead Underwriter and Sole Bookrunner

CHINABANK CAPITAL

Selling Agents

The Trading Participants of the Philippine Stock Exchange, Inc.

Financial Advisor to the Issuer

INVESTMENT & CAPITAL CORPORATION OF THE PHILIPPINES

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 PHILIPPINE SECURITIES AND EXCHANGE COMMISSION.

The date of this Preliminary Prospectus is November 2, 2021

Sta. Lucia Land, Inc.
Penthouse Building 3, Sta. Lucia Mall
Marcos Highway corner Imelda Avenue
Cainta, Rizal, Philippines
Telephone Number: +632 8 681-7332
Corporate Website: www.stalucialand.com.ph

This Prospectus relates to the offer and sale of [1,000,000,000 up to 2,500,000,000] common shares with a par value of ₱ 1.00 per share (the "Firm Offer", and such shares as "Firm Shares") of Sta. Lucia Land, Inc. ("SLI", the "Company" or the "Issuer"), a corporation organized under the laws of the Republic of the Philippines, at an offer price of [₱ 2.38 to ₱ 3.29] per share (the "Offer Price"). The determination of the Offer Price is described on page [74] of this Prospectus and was based on a book-building process and discussion between the Company and China Bank Capital Corporation ("China Bank Capital" or "Sole Issue Manager, Lead Underwriter and Sole Bookrunner). China Bank Capital shall serve as Sole Issue Manager, Lead Underwriter and Sole Bookrunner for the Offer.

In the event of an oversubscription to the Firm Offer, China Bank Capital reserves the right to increase the size of the Offer by up to an additional [500,000,000] common shares at the Offer Price (the "Over-subscription Option", and such shares, the "Over-subscription Shares"), for an aggregate Offer size of up to [3,000,000,000] Common Shares (the "Offer Shares").

The offer of the Offer Shares, including the Over-subscription Shares, is referred to as the "Offer". The Offer Shares shall be listed and traded under the trading symbol "SLI" on the Main Board of The Philippine Stock Exchange, Inc. ("PSE" or the "Stock Exchange").

The Company presently has an authorized capital stock of ₱ 16,000,000,000.00, divided into 16,000,000,000 common shares with a par value of ₱ 1.00 per share, of which 8,196,450,000 common shares and 2,600,000,000 treasury shares are issued as of the date of this Prospectus. Up to 3,000,000,000 new shares are being issued by the Company from its authorized and unissued capital stock by way of a primary offer. Upon completion of the Offer, assuming the Over-subscription Option is fully exercised, the total outstanding shares of the Company shall be up to [11,196,450,000] common shares, and the Offer Shares will comprise up to [26.79%] of the outstanding capital stock. Assuming that the Over-subscription Option is not exercised, the total outstanding shares of the Company shall be [9,196,450,000 up to 10,696,450,000] common shares, and the Firm Shares will comprise [10.87% up to 23.37%] of the outstanding capital stock.

At an Offer Price of [₱ 2.38 to ₱ 3.29] per share, the market capitalization of the Company upon listing will be [₱ 21,888 million to ₱ 30,256 million] assuming no exercise of the Over-subscription Option or [₱ 26,648 million to ₱ 36,836 million] assuming the full exercise of the Over-subscription Option.

The Company expects to raise gross proceeds of approximately [₱ 2,380 million to ₱ 9,870 million], depending on the exercise of the Over-subscription Option. The estimated net proceeds to be raised by the Company from the sale of the Offer Shares (after deducting fees and expenses payable by the Company of approximately [₱ 98 million to ₱ 317 million] will be approximately [₱ 2,282 million to ₱ 9,553 million]. The net proceeds from the Offer will be used by the Company to partially finance the following: (i) capital expenditures for ongoing projects; (ii) strategic land banking; (iii) payment of short-term debts; and for (iv) general corporate purposes. The Company will not use any net proceeds from the Offer to repay any indebtedness to the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. For a detailed discussion of the use of proceeds, please refer to page [63] on the "Use of Proceeds".

[200,000,000 up to 500,000,000] Offer Shares or 20% of the Firm Shares are being offered at the Offer Price to all of the trading participants of The Philippine Stock Exchange, Inc. ("PSE Trading Participants") and the remaining [800,000,000 up to 2,000,000,000] Offer Shares or 80% of the Firm Shares shall be distributed by the Lead Underwriter to qualified institutional buyers ("QIBs") and to the general public. To ensure that the Firm Shares will be fully subscribed, China Bank Capital has committed to underwrite, on a firm commitment basis, the Firm Shares. Any allocation of Firm Shares not taken up by the PSE Trading Participants, the QIBs and the general public shall be purchased by the Lead Underwriter. The underwriting fee to be received by the Lead Underwriter is discussed in the "Plan of Distribution" section on page [249] of this Prospectus.

All of the common shares which have been issued and are to be issued pursuant to the Offer have identical rights and privileges. The common shares may be owned by any person or entity regardless of citizenship or nationality, subject to the limits prescribed by Philippine laws on foreign ownership for certain types of domestic companies. Considering that the Company is engaged in real property ownership and development, its foreign shareholdings may not exceed 40.0% of its issued and outstanding capital stock entitled to vote, and 40.0% of its total issued and outstanding capital stock, whether or not entitled to vote. For further discussion, please refer to the section on "Philippine Foreign Exchange and Foreign Ownership Controls" beginning on page [246] of this Prospectus.

Each holder of the common shares will be entitled to such dividends as may be declared by the Company's Board of Directors (the "Board"), provided that any stock dividend declaration will require the approval of shareholders holding at least two-thirds of the Company's total outstanding capital stock. The Revised Corporation Code of the Philippines, Republic Act No. 11232 (the "Revised Corporation Code"), has defined "outstanding capital stock" as the total shares of stock issued, whether paid in full or not, except treasury shares. Under the Company's current dividend policy, up to 25% of the prior fiscal year's net income after tax can be declared as dividends, subject to (i) availability of Unrestricted Retained Earnings, (ii) implementation of business plans, (iii) contractual obligations, (iv) working capital requirements, and (v) the approval of the Board. The ability of the Company to pay dividends will depend on its retained earnings level and financial condition. There is no assurance that the Company will pay dividends in the future. For further discussion, please refer to the section on Dividends and Dividend Policy on page [71] of this Prospectus.

On July 8, 2021, the Company filed with the Securities and Exchange Commission ("SEC") a registration statement (the "Registration Statement") for the registration of the Offer Shares. On October 12, 2021, the SEC approved the Registration Statement and issued a Pre-Effective Letter dated October 12, 2021. Upon compliance with the requirements of the Pre-Effective Letter, the Company expects the SEC to issue the Order of Registration and Certificate of Permit to Offer Securities for Sale (the "Permit to Sell"). The issuance of the Permit to Sell is merely permissive and does not constitute a recommendation or endorsement by the SEC of the Offer Shares.

The listing of the Offer Shares is subject to the approval of the PSE. On July 16, 2021, the Company filed its application for the listing and trading of the Offer Shares. In its Notice of Approval dated October 29, 2021, the PSE approved the listing application subject to compliance with certain pre-offering and listing conditions by the Company. The PSE's approval of the listing is permissive only and does not constitute a recommendation or endorsement by the PSE of the Offer Shares. The PSE assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. The PSE makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this Prospectus.

The information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein. Each of the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner has exercised diligence to the effect that, and the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner confirms that, after having taken reasonable care to ensure that such is the case, as of the date of this Prospectus, the information contained in this Prospectus relating to the Company and its operations is true and there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect and the Company and the Lead Underwriter hereby accept responsibility under and in accordance with the Securities Regulation Code for the accuracy of the material information contained in this Prospectus relating to the Company and its operations.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner confirms that it has exercised the required due diligence in verifying that all material information in this Prospectus are true and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading.

Market data and certain industry information used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither the Company nor the Sole Issue Manager, Lead Underwriter and Sole Bookrunner makes any representation as to the accuracy and completeness of such information.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares are prohibited. Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

The contents of this Prospectus are not investment, legal, or tax advice. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of the Company and the terms of the Offer, including, without limitation, the merits and risks involved, such prospective investor's own determination of the suitability of any such investment with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment. Neither the Company nor the Sole Issue Manager, Lead Underwriter and Sole Bookrunner makes any representation to any prospective purchaser regarding the legality of participating in the Offer under any law or regulation. Each person should be aware that it may be required to bear the financial risks of any participation in the Offering for an indefinite period of time. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares, among others.

Prior to making an investment decision, investors are advised to carefully consider the risks associated with an investment in the Offer Shares. Please refer to the section on "Risk Factors" on page [32] of this Prospectus for a more detailed discussion on the risks, which while not intended to be an exhaustive enumeration of all risks, must be considered in connection with an investment in the Offer Shares. The Offer Shares are offered solely on the basis of the information contained and the representations made in this Prospectus.

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 RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE THEREBY, 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.

STA. LUCIA LAND, INC.

By:

EXEQUIEL D. ROBLES
President

SUBSCRIBED AND SWORN to before me this ____ day of __________ 2021, affiant exhibiting to me his Philippine Passport No. [redacted] as competent proof of his identity.

Doc No: ________;
Page No:________;
Book No:________;
Series of 2021.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from expected future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the Company's ability to successfully manage its sale on installment activities;
- the Company's ability to successfully implement its current and future strategies;
- the Company's ability to successfully manage its growth;
- changes in the Philippine property market and the demand for the Company's housing and land developments;
- the Company's ability to maintain its reputation for on-time project completion;
- the Company's ability to successfully manage its future business, financial condition, results of operations and cash flow;
- general political, social and economic conditions in the Philippines;
- any future political instability in the Philippines;
- the condition of and changes in the Philippine, Asian or global economies;
- changes in interest rates, inflation rates and the value of the Peso against the U.S. dollar and other currencies;
- changes to the laws, including tax laws, regulations, policies and licenses applicable to or affecting the Company;
- competition in the Philippine property industry;
- legal or regulatory proceedings in which the Company is or may become involved; and
- uncontrollable events, such as war, civil unrest or acts of international or domestic terrorism, the outbreak of contagious diseases, accidents and natural disasters.

Additional factors that could cause the Company's actual results, performance or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "Risk Factors" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. The Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This Prospectus includes statements regarding the Company's expectations and projections for future operating performance and business prospects. The words "aim", "anticipate", "believe", "consider", "continue", "estimate", "expect", "going forward", "intend", "ought to", "plan", "target", “potential”, “predict”, “project”, “propose”, “seek”, “may”, “might”, “can”, “could”, “will”, “would”, “shall”, “should”, “is/are likely to”, the negative form of these words and other similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in the Prospectus as to the opinions, beliefs and intentions of the Company accurately reflect in all material respects the opinions, beliefs and intentions of its management as to such matters as of the date of this Prospectus, although the Company gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. The Company does not intend to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise, unless material within the purview of the Securities Regulation Code (“SRC”) and other applicable laws, the mandate of which is to enforce investor protection. Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Investors should not place undue reliance on any forward-looking information.

GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

Applicant	a person, whether natural or juridical, who seeks to subscribe for the Offer Shares
Application	the documents to purchase or subscribe to the Offer Shares
Banking Day or Business Day	a day on which commercial banks are open for business in Makati City, Metro Manila and Cainta, Rizal
BIR	the Bureau of Internal Revenue
Board of Directors or Board	the Board of Directors of the Company
BSP	Bangko Sentral ng Pilipinas
China Bank Capital or Sole Issue Manager, Lead Underwriter and Sole Bookrunner	China Bank Capital Corporation, a corporation organized and existing under Philippine law and duly licensed as an investment house by the SEC
Company or Issuer or SLI	Sta. Lucia Land, Inc., a corporation organized and existing under the laws of the Philippines
DENR	the Department of Environment and Natural Resources of the Philippines
DST	Documentary Stamp Tax
ECC	Environmental Compliance Certificate
Firm Offer	the offer and sale of [1,000,000,000 up to 2,500,000,000] common shares of the Company
Firm Shares	[1,000,000,000 up to 2,500,000,000] common shares to be offered by the Company pursuant to the Firm Offer
Government	the national government of the Republic of the Philippines and all its instrumentalities
Group	the Company and the Company's Subsidiaries
HLURB	Housing and Land Use Regulatory Board
ICCP or Financial Advisor	Investment & Capital Corporation of the Philippines, a corporation duly organized and existing under Philippine law and duly licensed as an investment house by the SEC

IRO	Investor Relations Officer
IRRs	Implementing Rules and Regulations of the SRC, as amended
Listing Date	the date on which trading of the Offer Shares commence on The Philippine Stock Exchange, Inc., expected to be on [November 26, 2021]
Maceda Law	Republic Act No. 6552 or "An Act to Provide Protection to Buyers of Real Estate on Installment Payments"
Offer	the offer and sale of the Offer Shares
Offer Price	[₱ 2.38 to ₱ 3.29] per Offer Share
Offer Shares	the Firm Shares and the Over-subscription Shares
OFWs	Overseas Filipino Workers
Over-subscription Option	the option that may be exercised by mutual agreement between the Company and China Bank Capital during the Offer Period to offer up to an additional [500,000,000] Over-subscription Shares to the investing public on the same terms as the Firm Shares as set forth in this Prospectus, solely to cover oversubscriptions, if any.
Over-subscription Shares	up to [500,000,000] primary common shares relating to the Over-subscription Option
PAGCOR	The Philippine Amusement and Gaming Corp.
PDEx	the Philippine Dealing & Exchange Corp.
PDTC	the Philippine Depository & Trust Corp.
PCD Nominee	the PCD Nominee Corporation, a corporation wholly owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC
Pesos or ₱	the legal currency of the Republic of the Philippines
PFRS	Philippine Financial Reporting Standards
Philippine Constitution	the 1987 Constitution of the Philippines, the supreme law of the Republic of the Philippines
Philippine National	a citizen of the Philippines, a domestic partnership or association wholly owned by citizens of the Philippines or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the

Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine Nationals; provided, that where a corporation and its non-Filipino stockholders own stocks in a SEC-registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of each of both corporations must be owned and held by citizens of the Philippines, in order that the corporation shall be considered a Philippine national.

Pursuant to SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the Foreign Investments Act of 1991 and other existing laws, amendments thereto, and implementing rules and regulations of the said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

POGO — Philippine offshore gaming operator, as licensed by PAGCOR

Primary Institutional Lenders — the primary institutional lenders identified under Rule 10.1.4 of the IRRs, namely: (a) banks, including their trust accounts wherein the bank-trustee is granted discretionary powers in the investment disposition of the trust funds; (b) investment houses including their trust accounts wherein the investment house-trustee is granted discretionary powers in the investment disposition of the trust funds; (c) trust companies; (d) financing companies; (e) investment companies; (f) pre-need companies; (g) non-stock savings and loan associations; (h) building and loan associations; (i) venture capital corporations; (j) insurance companies; (k) government financial institutions; (l) pawnshops; (m) pension and retirement funds approved by the BIR; (n) educational assistance funds established by the national government; and (o) other entities that may be classified as

	primary institutional lenders by the BSP, in consultation with the SEC
Prospectus	this document together with all its annexes and attachments
PSA	Philippine Standards on Auditing
PSE or Stock Exchange	The Philippine Stock Exchange, Inc
PSE Trading Participants	the trading participants of the PSE in the Philippines
Receiving Agent	Professional Stock Transfer, Inc.
Reservation Sales	sales contracted with customers wherein reservation payments were already received but booked as liabilities (contract liability)
Revised Corporation Code	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines
SEC	the Securities and Exchange Commission of the Philippines
Selling Agents	PSE Trading Participants
SLECC	Sta. Lucia East Commercial Corporation
SLEGM or Sta. Lucia Mall	Sta. Lucia East Grand Mall
SLHI or Sta. Lucia Homes	Sta. Lucia Homes, Inc.
SLRDI	Sta. Lucia Realty & Development, Inc.
SME	Small and Medium-Sized Enterprises
sqm	square meter/s
SRC	Republic Act No. 8799, also known as the Securities Regulation Code of the Philippines, as amended from time to time, and including the rules and regulations issued thereunder.
Sta. Lucia Group	Sta. Lucia Group of Companies, including SLRDI, the Company, and the Company's Subsidiaries
Stock Transfer Agent	Professional Stock Transfer, Inc.
Subsidiaries	With respect to the Company, Sta. Lucia Homes, Inc, and Santalucia Ventures, Inc.
SVI	Santalucia Ventures, Inc.

Trading Day	a day when purchase and sale of shares of PSE-listed company is conducted
Unrestricted Retained Earnings	the amount of accumulated profits and gains realized out of the normal and continuous operations of the Company after deducting therefrom distributions to stockholders and transfers to capital stock or other accounts, and which is: (i) not appropriated by the Board of Directors for corporate expansion projects or programs; (ii) not covered by a restriction for dividend declaration under a loan agreement; and (iii) not required to be retained under special circumstances obtaining in the Company such as when there is a need for a special reserve for probable contingencies.

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including the Company's audited consolidated financial statements and related notes included elsewhere in this Prospectus. Capitalized terms not defined in this summary are defined in the "Glossary of Terms," "Risk Factors," "Business" or elsewhere in this Prospectus.

COMPANY OVERVIEW

Sta. Lucia Land, Inc. is the flagship property development arm of the Sta. Lucia Group of Companies (the "Sta. Lucia Group") which is principally engaged in real estate development, both horizontal and vertical, in various locations across the country. The Sta. Lucia Group has built a solid track record in the area of horizontal residential developments, particularly gated subdivisions, and has expanded into vertical developments, mall operations, housing construction and marketing. The Sta. Lucia Group is controlled by the Robles and Santos families.

The Company conducts its business via the following main operating segments:

Residential Projects

1. Horizontal Developments

   Residential Lots. Horizontal developments consist of residential lots for sale in gated subdivisions, complete with facilities and amenities. Typical features of these gated subdivisions include an entrance gate, guard house, landscaped entry statement, community clubhouse, basketball court, swimming pool, wide concrete road network, paved sidewalks with concrete curbs and gutters, centralized interrelated water system, underground drainage system, and electric system. These projects involve minimal construction works.

   Since 2007, the Company has completed 90 residential subdivision projects and is currently developing 105 residential subdivision projects involving a total of 38,812 units with average selling prices per unit ranging from ₱400,000 to ₱12,000,000. Required downpayments are usually 15% to 20%, payable in 6 months to 1 year.

2. Vertical Developments

   Townhouses. Townhouse projects are comprised of residential housing units with independent and identical houses that are built adjacent to each other, with a row sharing one or two house walls. These projects have higher development costs, are built on smaller land areas (i.e., six to seven hectares), and are developed in phases. The Company starts with the next phase only once the previous phase is sold out.

   The Company has completed four townhouse projects, three of which are known as Nottingham Villas located in (i) Jaro, Iloilo City, (ii) Taytay, Rizal and (iii) Puerto Princesa, Palawan, with 10, 11 and 15 phases, respectively. The Company also completed the Aquamira at Saddle in Tanza, Cavite with 3 phases. These projects have an average price of ₱2,980,000 per unit.

   The Company has two other townhouse projects, also called as Nottingham Villas, currently being developed in (i) General Trias, Cavite and (ii) Monterosa, Iloilo. Downpayments of 15% to 20% are usually required, payable in 6 months up to two years. Balance of 80% is paid through in-house or bank financing.

Condominiums. The condominium projects of the Company are located in strategic locations near existing horizontal developments. The Company has completed the following seven residential condominium projects:

Condominium Project	Location
East Bel Air Tower 1	Cainta, Rizal
East Bel Air Tower 3	Cainta, Rizal
La Mirada Tower	Lapu-lapu City, Cebu
Neopolitan Condominium 1	Fairview, Quezon City
Splendido Taal Tower 1	Laurel, Batangas
Sta. Lucia Residenze – Monte Carlo (Tower 1)	Cainta, Rizal
The Orchard Pasig Tower	Pasig City

and currently has three ongoing projects, two in Cainta, Rizal (East Bel-Air 4 and Sta. Lucia Residenze – Madrid (Tower 3)) and one in Jaro, Iloilo (Green Meadows Condominium). The downpayment ranges from 15% to 20%, payable in two to three years. Balance of 80% is paid through in-house or bank financing.

Condotels. Condotel projects are condominium units being sold to individual buyers but are managed and operated as a hotel. For condotel projects, unit buyers are given the option to purchase a condominium unit or a condotel unit. A condotel unit is placed under a rental program initially for 15 years where it is rented out like a typical hotel room. An experienced management company, with common shareholders and directors as SLI, handles all operations, maintenance, and management of the units under the rental program. Rental income from the units is shared between the Company and the unit owners, where the management company usually receives at least 30% of net rental income. The condotel owner is not given any guarantee or assurance that the unit will be leased or if leased out, of any guaranteed return on the rental of his/her unit. Condotel unit owners are given 30 complimentary room nights per year which are transferrable across all the Company's condotels in the Philippines.

The Company has completed the following ten condotel projects:

Condotel Project	Location
Arterra Residences at Discovery Bay	Lapu-lapu City, Cebu
Stradella (formerly East Bel Air Tower 2)	Cainta, Rizal
La Breza Tower	Mother Ignacia Street, Quezon City
Sotogrande Iloilo Tower 1	Jaro, Iloilo
Splendido Taal Tower 2	Laurel, Batangas
Sta. Lucia Residenze – Santorini (Tower 2)	Cainta, Rizal
Crown Residence at Harbor Springs Resort	Puerto Princesa, Palawan
Sotogrande Katipunan	Katipunan, Quezon City
Sotogrande Hotel Davao	Davao City
Sotogrande Neopolitan	Fairview, Quezon City

and currently has seven ongoing projects in (i) Quezon City (The Tribute), (ii) Puerto Princesa (Sotogrande Palawan), (iii) Cebu (Nivel Hills) (iv) two in Baguio City (Sotogrande Baguio Tower 1 and 2), and (v) two in Batangas (Sotogrande Bauan and Nasacosta Peaks).

Average selling prices per unit range from ₱85,000 to ₱160,000 per sqm with required downpayments of 20%, payable in two to three years while the balance of 80% is paid through in-house or bank financing.

Commercial Properties

1. Mall

Sta. Lucia East Grand Mall ("SLEGM"). The SLEGM is a comprehensive commercial, entertainment, and leisure facility with a full range department store, supermarket, movie theater, fast food chains, bookstore, specialty boutiques for clothing, accessories, telecommunication, and hobby stores. The SLEGM is comprised of three four-storey buildings with a gross floor area ("GFA") of 180,000 sqm and a gross leasable area of 89,940 sqm. The SLEGM is located at Marcos Highway cor. Felix Ave., Cainta, Rizal.

In 2014, the Company opened the expansion mall called Il Centro, which is comprised of a three-storey building with a GFA of 50,000 sqm and a gross leasable area of 9,136.62 sqm. The expansion mall has a 20,000 sqm parking to cater to residential tenants and mall clients.

Currently, the mall has 99,076 sqm gross leasable space of which 78.83% is leased. The business serves to complement the needs of the residential communities that the Company has built in the cities of Pasig, Marikina, and in the various towns of the Rizal province.

2. Business Center

Sta. Lucia Business Center. The Company aims to expand its recurring income base by developing offices, malls and hotels as well as potentially entering into strategic partnerships for commercial asset management or development. In October 2020, the Company completed its six-storey Sta. Lucia Business Center in Cainta, Rizal, which offers 26,011 square meters of gross leasable office space. As of June 30, 2021, this building is 100% leased out to a Philippine Offshore Gaming Operator ("POGO") on a five-year lease contract.

3. Commercial Lots

The commercial properties of the Company are complementary to existing residential projects and are being offered to existing established retail partners. There is a total of 1,436 commercial lots covering 142.14 hectares adjacent to the Company's projects nationwide. There is an allocation for an average commercial space ranging from 300 to 2,000 sqm in the majority of the Company's projects. The Company intends to expand its retail portfolio by offering these commercial properties through 3 main options: (i) outright sale of the commercial lots, (ii) lease of the commercial lot to retailers, and (iii) building of the Company's own malls in these commercial properties and leasing commercial space to retailers.

Services

1. Sale on Installment

   The Company also earns revenue through its sale on installment program to cater to its customers who do not have the accumulated savings to pay for the projects of the Company but have sufficient recurring income to support monthly amortization payments. Around 90-95% of the Company's sales are through its in-house installment program. The customers of the Company who avail of the program are charged interest higher than the prevailing interest rates of banks, ranging from 14% to 16% per annum and a 20% downpayment with tenors up to a maximum of 10 years. For 2020, around 95% of customers of SLI availed of the sale on installment facility with terms of 5 years or less.

2. Housing / Construction

   The Company also ventured into housing construction services through its wholly-owned subsidiary, SLHI, which provides access to and assistance in connection with general construction services to its lot buyers. SLHI began operating in 2014 in order to service the needs of lot buyers who would like to have their own house constructed on their previously bought lots but are not familiar with the process (i.e., securing permits, construction, accessing financing, etc.). SLHI provides these services to its lot owners with the assurance of reliability from an established brand name. The price of house construction service ranges from ₱26,000 per sqm to ₱30,000 per sqm. Payment terms require a 20% downpayment that is payable up to six months, with the balance payable up to 10 years through in house or bank financing. While this remains a good opportunity for the Company to reach more lot buyers, the Company, for the next few years, will focus on project development through strategic land banking and joint ventures with land owners in key provinces.

3. Marketing

   The Company is currently conducting marketing services through its subsidiary, SVI. SVI was incorporated with the primary purpose of marketing, operating, managing residential structures for lot buyers of the Group. The sales and marketing functions were shifted to SVI in order that the Company may focus on the development of its projects.

For the years ended December 31, 2018, 2019 and 2020, SLI had total revenues of ₱ 4,032.22 million, ₱7,810.29 million and ₱ 6,853.15 million, respectively. The Company also had net income of ₱1,065.18 million, ₱ 1,736.20 million and ₱ 1,707.95 million, respectively, over the same periods. For the six months ended June 30, 2020 and 2021, the Company had total revenues of ₱ 2,428.53 million and ₱3,965.03 million respectively.

SUBSIDIARIES

The Company has two subsidiaries: Sta. Lucia Homes, Inc. and Santalucia Ventures, Inc. The functions of each subsidiary are summarized below.

1. Sta. Lucia Homes, Inc. (SLHI)

SLHI was incorporated on February 20, 2013. Its primary purpose is to construct, develop, improve, mortgage, pledge and deal with residential structure for lot buyers of the Company. SLHI is a wholly-owned subsidiary of the Company.

2. Santalucia Ventures, Inc. (SVI)

SVI was incorporated on April 5, 2013. Its primary purpose is to market, operate, manage, develop, improve, dispose, mortgage, pledge and deal with residential structure for lot buyers of the Company. SVI is a wholly-owned subsidiary of the Company.

COMPETITIVE STRENGTHS

The Company's competitive strengths include the following:

- Established track record in real estate development
- Efficient joint venture model
- Expansion in established strategic growth areas
- Sales and marketing team with nationwide and global coverage
- Experienced and dedicated management team

Please refer to "Competitive Strengths" on page [121] of this Prospectus for a more detailed discussion.

BUSINESS STRATEGIES

The Company's business strategies include the following:

- Continue the joint venture growth formula
- Maximize return from commercial properties
- Boost brand awareness and strengthen brand equity
- Build master-planned and integrated communities
- Explore complementary ventures and platforms

Please refer to "Business Strategies" on page [127] of this Prospectus for a more detailed discussion.

RISKS OF INVESTING

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Offer Shares. These risks include:

- risks relating to the Company's business;
- risks relating to the Philippines; and

- risks relating to the Offer and the Offer Shares.

Please refer to the section entitled "Risk Factors" which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of Offer Shares

INVESTORS RELATIONS OFFICE AND COMPLIANCE OFFICER

The Investor Relations Office is tasked with (a) the creation and implementation of an investor relations program that reaches out to all shareholders and informs them of corporate activities and (b) the formulation of a clear policy for accurately, effectively and sufficiently communicating and relating relevant information to the Company's stakeholders as well as to the broader investor community.

Mr. Jeremiah T. Pampolina, the Company's Investor Relations Officer ("IRO"), serves as the Company's designated investor relations manager and head of the Company's Investor Relations Office. The IRO is responsible for ensuring that the Company's shareholders have timely and uniform access to official announcements, disclosures and market-sensitive information relating to the Company. As the Company's officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. In addition, the IRO oversees most aspects of the Company's shareholder meetings, press conferences, investor briefings, management of the investor relations portion of the Company's website and the preparation of its annual reports. The IRO is also responsible for conveying information such as the Company's policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of the Company's operations and performance.

Mr. Jeremiah T. Pampolina concurrently serves as the Company's Compliance Officer to ensure that the Company complies with, and files on a timely basis, all required disclosures and continuing requirements of the SEC and the PSE.

The Company's Investor Relations Office is located at Penthouse Building 3, Sta. Lucia Mall, Marcos Highway corner Imelda Avenue, Cainta, Rizal, Philippines.

CORPORATE INFORMATION

The Company is a Philippine corporation with principal office address at Penthouse Building 3, Sta. Lucia Mall, Marcos Highway corner Imelda Avenue, Cainta, Rizal, Philippines. The Company's telephone number is +632 86817332 and its fax number is +632 86817467. Its corporate website is www.stalucialand.com.ph. Information in the Company's website is not incorporated by reference into this Prospectus.

SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Offer Shares. Each prospective investor must rely on its own appraisal of the Company and the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

Issuer	Sta. Lucia Land, Inc., a corporation organized and existing under Philippine law with the trading symbol "SLI"
Sole Issue Manager, Lead Underwriter and Sole Bookrunner	China Bank Capital Corporation
Stock Transfer Agent....................	Professional Stock Transfer, Inc.
Receiving Agent..........................	Professional Stock Transfer, Inc.
Selling Agents	PSE Trading Participants
Counsel for the Issuer	Martinez Vergara Gonzalez & Serrano
Counsel for the Sole Issue Manager, Lead Underwriter and Sole Bookrunner	Romulo Mabanta Buenaventura Sayoc & de los Angeles
Independent Auditor........................	SyCip Gorres Velayo and Co.
Firm Shares	[1,000,000,000 up to 2,500,000,000] common shares, with a par value of ₱ 1.00 per share, to be issued by the Company
Over-subscription Shares	Up to [500,000,000] common shares, with a par value of ₱ 1.00 per share, to be issued by the Company
Offer Shares	The Firm Shares and the Over-subscription Shares
The Offer	The offer and sale of [1,000,000,000 up to 2,500,000,000] primary common shares to be issued by the Company, and an offer of up to [500,000,000] Over-subscription Shares pursuant to the Over-subscription Option (as described below). After the completion of the Offer, the Offer Shares will comprise up to [26.79%] of the Company's

outstanding common shares assuming the full exercise of the Over-subscription Option. Assuming that the Over-subscription Option is not exercised, the total outstanding shares of the Company shall be [9,186,450,000 up to 10,696,450,000] common shares, and the Firm Shares will comprise [10.87% up to 23.37%] of the outstanding capital stock.

Institutional Offer..........................	At least [800,000,000 up to 2,000,000,000] Firm Shares, or approximately 80% of the Firm Shares, are being offered and sold to certain qualified buyers and other investors in the Philippines by the Lead Underwriter.
Trading Participants Offer............	[200,000,000 up to 500,000,000] Firm Shares, or approximately 20% of the Firm Shares, are being offered in the Trading Participants Offer in the Philippines at the Offer Price. Each PSE Trading Participant shall initially be allocated [1,600,000 up to 4,000,000] Firm Shares and subject to reallocation. Any Firm Shares allocated to the PSE Trading Participants but not taken up by them, will be distributed by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to its clients, retail investors or the general public. Firm Shares not taken up by the Selling Agents, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner's clients, retail investors or the general public shall be purchased by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner in exercise of its firm underwriting commitment pursuant to the underwriting agreement executed by and between the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.
Offer Price..	[₱ 2.38 to ₱ 3.29] per Offer Share
Over-subscription Option............	The Company and China Bank Capital have an option, exercisable in whole or in part by mutual agreement, to offer up to an additional [500,000,000] Over-subscription Shares, during the Offer Period, on the same terms as the Firm Shares as set forth in this Prospectus, solely to cover oversubscriptions, if any.
Offer Period	The period commencing at 9:00 a.m., Manila time, on [November 11, 2021] and ending at 12:00 noon, Manila time, on [November 17, 2021]. The Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner reserve the right to extend or terminate the offer period, subject to the approval of the SEC and PSE.

Duly accomplished "Application to Subscribe" forms and signature cards together with the supporting documents and corresponding payments must be received by the Selling Agents or the Lead Underwriter not later than 12:00 noon, Manila time, on [November 17, 2021]**.** If for any reason the aforementioned date for the end of the Offer Period should fall on a day when banks in the Philippines are closed, the Offer Period will expire on the Banking Day immediately succeeding the end of the Offer Period.

Use of Proceeds	The Company intends to use the net proceeds from the Offer to partially finance the following: (i) capital expenditures for ongoing projects; (ii) strategic land banking; (iii) payment of short-term debts; and for (iv) general corporate purposes. See the section on "*Use of Proceeds*" in this Prospectus for details of how the total net proceeds are expected to be applied.
Dividends	The Company is authorized to declare dividends. A cash dividend declaration requires approval from the Board. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Company's outstanding capital stock. Dividends may be declared only from available Unrestricted Retained Earnings. Under the Company's dividend policy, shareholders are entitled to receive dividends of up to 25% of the prior fiscal year's net income after tax, subject to (i) availability of Unrestricted Retained Earnings, (ii) implementation of business plans, (iii) contractual obligations, (iv) working capital requirements, and (v) the approval of the Board**.** Please see the section entitled "*Dividends and Dividend Policy*" in this Prospectus for further details.
Registration, Listing and Trading .	The Company has filed an application with the SEC for the registration and an application with the PSE for the listing of the Offer Shares. The SEC issued a Pre-Effective Letter on October 12, 2021 and is expected to issue the Order of Registration and Permit to Sell on or about [November 9, 2021]. In its Notice of Approval dated October 29, 2021, the PSE has approved the listing application, subject to compliance with certain pre-offering and listing conditions. All of the Offer Shares to be issued (the Firm Shares and any Over-subscription Shares to the extent the Lead Underwriter exercises the Over-subscription

	Option) are expected to be listed on the PSE under the symbol and company alias "SLI". See "*Description of the Shares*." All of the issued Offer Shares are expected to be listed on the PSE on or about [November 26, 2021].
Eligible Investors................................	The Offer Shares may be subscribed by any individual of legal age, or by any corporation, association, partnership or trust, regardless of citizenship or nationality, subject to the Company's right to reject an application or reduce the number of Offer Shares applied for subscription or purchase if the same will cause the Company to be in breach of the Philippine ownership requirements under relevant Philippine laws.
Restriction on Ownership..............	The Offer Shares may be subscribed by any individual of legal age, or by any corporation, association, partnership or trust, regardless of citizenship or nationality. However, the Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities. Since the Company is engaged in real property ownership and development, its foreign shareholdings may not exceed 40.0% of its issued and outstanding capital stock entitled to vote, and 40.0% of its total issued and outstanding capital stock, whether or not entitled to vote. For more information relating to restrictions on the ownership of the Offer Shares, see "*Philippine Foreign Exchange and Foreign Ownership Controls*" on page [246] of this Prospectus. As of June 30, 2021, 0.03% of the Company's common shares are held by foreign nationals.
Representation and Warranty of Foreign Investors	Foreign investors interested in subscribing to the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, are required to represent and warrant that their purchase of the Offer Shares to which their application relates will not violate the laws of their jurisdictions of incorporation or organization, and that

they are allowed, under such laws, to acquire, purchase and hold the Offer Shares.

Registration of Foreign Investments	The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP only if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See "*Philippine Foreign Exchange and Foreign Ownership Controls*" on page [246] of this Prospectus.
Minimum Subscription	Each application must be for a minimum of 10,000 Offer Shares, and thereafter, in multiples of 1,000 Offer Shares. Applications for multiples of any other number of common shares may be rejected or adjusted to conform to the required multiple, at the Company's discretion.
Procedure for Application	Application forms and signature cards may be obtained from the Sole Issue Manager, Lead Underwriter and Sole Bookrunner or from any participating Selling Agent. Application forms will also be made available for download on the Company's website. Applicants shall complete the application form, indicating all pertinent information such as the applicant's name, address, taxpayer's identification number, citizenship and all other information as may be required in the application form. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of Offer Shares. Failure to complete the application form may result in the rejection of the Application. All applications shall include the application to purchase form, in quadruplicate, duly executed, in each case by the Applicant(s) (if the applicant(s) is (are) a natural person(s)) or an authorized signatory of the applicant (if the Applicant is an institution or corporate entity) and accompanied by the corresponding payment or proof of payment for the Offer Shares covered by the application and all other required documents.

If the Applicant is an individual or natural person, the Application must be accompanied by the following documents:

(i) two (2) duly executed specimen signature cards bearing the Applicant's specimen signatures, duly authenticated by the Applicant's nominated PSE Trading Participants;

(ii) photocopy of one (1) valid and current government-issued ID (e.g., SSS, GSIS, Driver's License, Passport or PRC) of the Applicant (Note: For joint applications (i.e., multiple Applicants in one Application), one (1) valid and current government-issued ID of each Applicant will be required); and

(iii) such other documents as may be reasonably required by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner in compliance with its policies regarding "knowing your customer" and anti-money laundering.

If the Applicant is a corporation, partnership or trust account, the Application must be accompanied by the following documents:

(i) two (2) duly executed specimen signature cards bearing the specimen signatures of the Applicant's authorized signatory(ies), duly authenticated by the Applicant's corporate secretary or assistant corporate secretary;

(ii) a certified true copy of the applicant's latest articles of incorporation and by-laws (or articles of partnership in the case of a partnership) or other constitutive document (each as amended to date) duly certified by its corporate secretary (or managing partner in the case of a partnership);

(iii) certified true copy of the applicant's SEC Certificate of Registration or equivalent document in case of a foreign corporation, duly certified by its corporate secretary (or managing partner in the case of a partnership);

(iv) duly notarized corporate secretary's certificate (or certificate of the managing partner in the case of a partnership) setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the Application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying the percentage of the applicant's capital or capital stock held by Philippine Nationals;

(v) photocopy of one (1) valid and current government-issued ID (e.g., SSS, GSIS, Driver's License, Passport or PRC) of each of the Applicant's authorized signatory(ies); and

(vi) such other documents as may be reasonable required by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner in compliance with its policies regarding "knowing your customer" and anti-money laundering.

Foreign Applicants who qualify as eligible investors, in addition to the documents listed above, are required to submit in quadruplicate, a representation and warranty stating that their purchase of the Offer Shares to which their application relates will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase and hold the Offer Shares.

Payment Terms.................................... The purchase price must be paid in full in Philippine Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments.

Payment for the Offer Shares shall be made either by: (i) a personal or corporate check drawn against an account with a BSP authorized bank having a clearing period of no more than one Banking Day; (ii) a manager's or cashier's check issued by such authorized bank having a clearing period of no more than one Banking Day or (iii) a direct remittance via Real Time Gross Settlement (RTGS) or any other remittance services or an intrabank fund transfer.

All checks should be made payable to "Sta. Lucia Land, Inc.", crossed "Payee's Account Only", and dated the same date as the Application. Checks subject to clearing periods of over one Banking Day shall not be accepted.

	The Applications and the related payments will be received at any of the offices of the Lead Underwriter and the Selling Agents.
Acceptance or Rejection of Application to Subscribe and Reduction of Allotment of Offer Shares..	Applications are subject to confirmation by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner and the final approval of the Company. The Company and the Lead Underwriter reserve the right to accept, reject or scale down the number and amount of Offer Shares covered by the Application. The Company and the Lead Underwriter have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will be allotted in such a manner as the Company and the Lead Underwriter may, in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and "Application to Subscribe" forms which do not comply with terms of the Offer will be automatically rejected. Notwithstanding the acceptance of any "Application to Subscribe" forms, the actual subscription of the Offer Shares by the applicant will be effective only upon the listing of the Offer Shares at the PSE.
Refunds..	In the event that the number of Offer Shares to be received by an applicant, as confirmed by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, is less than the number covered by the Application, or if an Application is rejected by the Company, then the Lead Underwriter shall refund, without interest, within five banking days from the end of the Offer Period, all or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds shall be made through the Receiving Agent with whom the applicant has filed the Application, at the applicant's risk.
Registration and Lodgment of Shares with PDTC................................	The Offer Shares are required to be lodged with the PDTC. The applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares will be lodged with the PDTC on Listing Date. Applicant may request to receive share certificates evidencing such applicant's investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the Applicant.
Tax Considerations.............................	See "*Philippine Taxation*" on page [240] of this Prospectus for further information on the Philippine

	tax consequences of the purchase, ownership and disposal of the Offer Shares.
Expected Timetable	The timetable of the Offer is expected to be as follows:

	Price Determination Date	[November 5, 2021
	Notice of final Offer Price to the SEC and PSE	[November 8, 2021
	Receipt of the Permit to Sell from the SEC	[November 10, 2021
	Offer Period	[November 11 - 17, 2021]
	Listing Date	[November 26, 2021

The dates indicated above are subject to the approval of the PSE and the SEC, market, and other conditions, and may be changed.

If, for any reason, any day of the above periods or dates is not a Banking Day, then such period or date may be extended or moved, as the case may be, to the next immediately succeeding Banking Day, or such date as may be agreed upon by the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. Any adjustment to the Listing Date shall be subject to the approval of the PSE.

Risks of Investing	Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares, including the risks discussed in the section "*Risk Factors*" on page [32] of this Prospectus.

SUMMARY OF FINANCIAL AND OPERATING INFORMATION

The following tables set forth summary consolidated financial information as at and for the years ended December 31, 2018, 2019 and 2020 were derived from the Company's audited consolidated financial statements, which were prepared in accordance with PFRS and were audited by SyCip Gorres Velayo & Co. (SGV & Co.) in accordance with the Philippine Standards on Auditing ("PSA"). The summary consolidated financial information as at and for the six months ended June 30, 2020 and 2021 were derived from the Company's consolidated financial statements, which were prepared in accordance with PAS 34 as modified by SEC Covid Relief. The summary consolidated financial information below is not necessarily indicative of the results of future operations. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to the SEC Form 17-A and the relevant consolidated financial statements of Sta. Lucia Land, Inc., including the notes thereto, included in this Prospectus.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In ₱ millions, except per share figures	Six Months Ended June 30		Years Ended December 31		
	2021 (Unaudited)	**2020 (Unaudited)**	**2020 (Audited)**	**2019 (Audited)**	**2018 (Audited)**
REVENUE					
Real estate sales	3,261.30	1,994.6	5,383.1	5,871.5	2,428.3
Rental income	273.4	225.2	534.7	898.3	858.8
Commission income	36.4	3.2	91.5	93.6	181.3
Interest income	188.7	84.7	479.8	647.0	301.0
Dividend income	–	–	9.2	5.7	7.2
Others	205.3	120.8	354.8	294.2	255.7
	3,965.0	2,428.5	6,853.1	7,810.3	4,032.2
COSTS AND EXPENSES					
Cost of real estate sales	1,002.8	344.9	2,025.3	2,680.8	959.0
Cost of rental income	193.3	172.8	368.4	550.2	554.0
	1,196.1	517.7	2,393.6	3,231.0	1,513.0
Commissions	356.6	186.9	622.0	687.8	324.7
Representation	20.4	25.3	49.0	71.1	18.0
Taxes, licenses and fees	94.5	38.2	99.4	100.1	70.8
Salaries and wages and other benefits	33.0	25.1	85.0	82.5	65.1
Advertising	21.2	25.1	68.7	107.9	59.7
Repairs and maintenance	15.9	3.5	41.1	63.0	33.6
Utilities	4.6	2.2	6.9	14.9	7.5
Professional fees	17.6	16.4	16.4	42.8	21.1
Depreciation and amortization	8.1	8.4	21.7	23.1	17.0
Expected credit loss	5.3	-	1.4	1.1	1.4
Transportation, travel, office supplies and miscellaneous	40.5	18.8	55.6	68.3	51.6
	617.8	349.9	1,067.2	1,262.5	670.4
INTEREST EXPENSE	481.8	478.8	993.3	886.0	706.7
INCOME BEFORE INCOME TAX	1,669.30	1,082.2	2,399.0	2,430.8	1,142.1
PROVISION FOR INCOME TAX	230.5	324.7	691.1	694.6	76.9
NET INCOME	1,438.9	757.5	1,707.9	1,736.2	1,065.2
OTHER COMPREHENSIVE INCOME (LOSS)	111.0	(83.3)	(124.1)	(76.5)	33.9
TOTAL COMPREHENSIVE INCOME	1,549.8	674.3	1,583.8	1,659.7	1,099.1
Basic/Diluted Earnings per Share	**0.18**	**0.09**	**0.21**	**0.21**	**0.12**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In ₱ millions	Six Months Ended June 30	Years Ended December 31		
	2021 (Unaudited)	2020 (Audited)	2019 (Audited)	2018 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents	6,202.5	942.8	903.4	1,064.5
Receivables	3,507.5	3,494.6	2,368.9	1,874.0
Contract assets	1,094.6	1,880.4	1,618.9	701.5
Real estate inventories	26,735.7	24,931.1	21,870.1	18,303.7
Other current assets	6,374.9	5,401.0	4,715.7	5,204.1
Total Current Assets	43,915.2	36,649.9	31,476.9	27,147.7
Noncurrent Assets				
Installment contracts receivables – net of current portion	1,958.3	1,014.1	547.2	494.8
Contract assets - net of current portion	1,812.3	967.5	1,241.6	673.1
Investment properties	5,831.0	5,712.4	5,597.4	5,154.5
Property and equipment	54.4	54.9	58.9	44.5
Financial assets at fair value through other comprehensive income (FVOCI)	710.4	821.4	948.2	985.0
Pension asset	0.3	0.3	–	–
Other noncurrent assets	77.2	565.3	482.1	216.5
Total Noncurrent Assets	10,443.9	9,135.9	8,875.4	7,568.4
TOTAL ASSETS	54,359.1	45,785.8	40,352.3	34,716.2
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	6,350.4	5,407.8	4,784.2	3,990.8
Short-term debt	1,766.7	6,149.0	3,521.2	3,608.0
Contract liabilities	3,600.3	3,591.7	3,039.2	2,017.7
Customers' deposits	–	–	–	–
Long-term debt - current portion	2,720.2	3,027.5	467.0	–
Income tax payable	21.7	87.3	49.6	19.9
Total Current Liabilities	14,459.5	18,263.3	11,861.2	9,636.4
Noncurrent Liabilities				
Long-term debt – net of current portion	18,629.4	8,002.3	10,998.0	9,998.8
Contract liabilities - net of current portion	617.0	379.5	418.4	45.4
Pension liabilities	–	–	6.0	5.5
Deferred tax liabilities - net	1,627.6	1,442.9	954.6	575.8
Total Noncurrent Liabilities	20,874.0	9,824.7	12,377.1	10,625.5
Total Liabilities	35,333.5	28,088.0	24,238.3	20,261.9
Equity				
Capital Stock	10,796.5	10,796.5	10,796.5	10,796.5
Additional paid-in capital	330.0	330.0	330.0	330.0
Retained earnings	9,285.4	7,846.5	6,138.6	4,402.4
Net unrealized gain on fair value of financial assets at FVOCI	253.7	364.7	491.4	568.8
Remeasurement gains (losses) on pension – net of tax	0.2	0.2	(2.4)	(3.3)
Treasury shares	(1,640.0)	(1,640.0)	(1,640.0)	(1,640.0)
Total Equity	19,025.7	17,697.8	16,114.0	14,454.3

TOTAL LIABILITIES AND EQUITY	54,359.1	45,785.8	40,352.3	34,716.2

CONSOLIDATED STATEMENTS OF CASH FLOWS

In ₱ millions	Six Months Ended June 30		Years Ended December 31		
	2021 (Unaudited)	2020 (Unaudited)	2020 (Audited)	2019 (Audited)	2018 (Audited)
Net cash flows generated from (used in) operating activities	1,410.3	(27.28)	(607.9)	(26.1)	(1,638.2)
Net cash flows used in investing activities	(1,775.2)	(414.4)	(451.3)	(462.5)	(206.8)
Net cash flows from financing activities	5,624.6	726.9	1,098.7	327.5	2,283.4
Cash at beginning of year	942.8	903.4	903.4	1,064.5	626.2
Cash at end of period	6,202.5	1,188.8	942.8	903.4	1,064.5

KEY PERFORMANCE INDICATORS

The table below sets forth key performance indicators for the Company for the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021.

	Six Months Ended June 30		Year Ended December 31		
	2021 *(Unaudited)*	2020 *(Unaudited)*	2020	2019	2018
Current Ratio	3.04	2.14	2.01	2.65	2.82
Debt to Equity	1.22	0.97	0.97	0.93	0.94
Interest Coverage Ratio	446.49%	326.01%	341.52%	374.35%	261.61%
Return on Asset	2.65%	1.76%	3.73%	4.30%	3.07%
Return on Equity	7.56%	4.51%	9.65%	10.77%	7.37%
Earnings Per Share	0.18	0.09	0.21	0.21	0.12
Price Earnings Ratio	16.44	21.11	9.43	11.81	10.42

1. Current Ratio = current assets (cash and cash equivalents, receivables, inventories, due from affiliates, prepaid commissions, and other current asset) over current liabilities (accounts payable, customer deposit, current portion of bank loans and income tax payables).
2. Debt to Equity = Total debt over shareholder’s equity.
3. Interest Coverage Ratio= Income before Income Tax and Interest Expense over Interest Expense
4. Return on Asset = Net Income over Total Assets
5. Return on Equity = Net Income over shareholder’s equity.
6. Earnings Per Share = Net Income No. of outstanding shares
7. Price Earnings Ratio = Market Share Price over Earnings Per Share

RISK FACTORS

An investment in the Offer Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not indicative of future performance and results, and there may be a large difference between the buying price and the selling price of the Offer Shares. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the Company's business, financial condition and results of operations and cause the market price of the Offer Shares to decline. All or part of an investment in the Offer Shares could be lost.

This risk factor discussion does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors should seek professional advice regarding any aspect of the securities such as the nature of risks involved in the trading of securities, and specifically those of high-risk securities. Investors may request publicly available information on the common shares and the Company from the SEC.

RISKS RELATING TO THE COMPANY'S BUSINESS

A significant portion of the demand for the Company's products is from OFWs, expatriate Filipinos, and their families, which exposes the Company to risks relating to the performance of the economies of the countries where these potential customers are based.

The Company is reliant on OFWs, expatriate Filipinos, and their families who live in the Philippines to generate a significant portion of the demand for its subdivision lots and high-rise condominium units, particularly for its affordable and middle-income projects. In order to reach them, the Company engages SVI and certain marketing companies who have both domestic and international presence.

A number of factors, however, could lead to reduced remittances from OFWs, a reduction in the number of OFWs or a reduction in the purchasing power of expatriate Filipinos and their families. These include:

- a downturn in the economic performance of the countries and regions where a significant number of these remitters are located, such as Italy, the United Kingdom, Spain, Singapore, the Middle East, and the United States;

- restrictions imposed by these countries' governments on the ability of their banks to provide services to remittance companies or money transfer operations due to anti-money laundering policies, thereby impeding the flow of money to the Philippines;

- a change in government regulations that currently exempt the income of OFWs from taxation in the Philippines;

- restrictions imposed by the Government on the deployment of OFWs to particular countries or regions, such as the Middle East;

- restrictions imposed by other countries on the entry or the continued employment of foreign workers;

- return of significant number of OFWs due to job losses in the country of deployment; and

- significant loss of income due to job losses and closure or loss of revenue of SMEs.

Following the outbreak of the coronavirus disease that started in Wuhan, Hubei, China, on January 30, 2020, the World Health Organization declared the 2019 coronavirus disease ("COVID-19") outbreak a Public Health Emergency of International Concern, and subsequently, with the continued increase in the number of confirmed cases throughout the world, a pandemic on March 11, 2020. In response, the Philippine government placed the county under community quarantine with varying degrees of restriction to stop the spread of COVID-19.

The implementation of community quarantine hampered the operations of the Company leading to the decrease in pre-sales for both the domestic and OFW markets and delayed construction services. A decline in revenues from the retail operations was also reported as compared to the same period last year. This was a result of decline in foot traffic and temporary suspension of mall operations except for outlets offering basic services like supermarkets, banks and healthcare centers, as mandated by the government

To mitigate the risk of a downturn in the demand from its dependency on OFWs and their families, the Company will continue to expand its customer base through SVI and seven other marketing companies whose clientele not only includes OFWs and their families but Business Process Outsourcing ("BPO") employees, Small and Medium Enterprise ("SME") owners and other corporate and government employees as well. For 2020, the Company's sales from the domestic market increased by at least ₱ 1.25 billion compared to 2019. Sales of properties outside Metro Manila increased as government and private offices started implementing work from home arrangement. Also, buyers have expressed preference to purchase properties outside Metro Manila, where the Company's properties are located, in order to avoid the epicenter of COVID-19, among others.

The interests of JV partners for the Company's land development projects may differ from the Company's and they may take actions that adversely affect the Company.

The Company has entered into joint venture ("JV") agreements with landowners as part of its overall land acquisition strategy and intends to continue to do so. Under the terms of its JV agreements, the Company takes responsibility for project development, while its JV partner typically supplies the project land.

A JV involves special risks where the JV partner may have economic or business interests or goals inconsistent with or different from those of the Company's. The JV partner may take actions contrary to the Company's instructions or requests, or be in direct opposition to the Company's policies or objectives with respect to the real estate investments, or the JV partner may not meet its obligations under the JV arrangement. Disputes between the Company and its JV partner could arise after significant capital investments in a project have been made, which could result in the loss of some or all of the Company's investment in the project. The Company's reliance on its JV arrangements could therefore have a material adverse effect on the Company's results of operations and financial condition.

To mitigate the risk that interests of the Company's JV partners may differ with that of the Company, the terms and conditions and the development plans for the properties are discussed thoroughly with the JV partners and documented under JV agreements.

The Company is exposed to risks associated with its sale on installment activities, including the risk of customer default

The Company has provided a substantial amount of sale on installment to its customers, particularly for buyers of its affordable and middle-income real estate products. Around [90-95%] of the Company's sales are through its in-house installment program. In cases where the Company provides sale on installment, it charges customers interest rates that are substantially higher than comparable rates for bank financing. As a result, and particularly during periods when interest rates are relatively high, the Company faces the risk that a greater number of customers who utilize the Company's sale on installment facilities will default on their payment obligations, which would require the Company to incur expenses, such as those relating to sales cancellations and reselling of projects. There is also no assurance that the Company can immediately resell a subdivision lot or a condominium unit once a sale has been cancelled. The inability of its customers who availed of the in-house installment program to meet their payment obligations and a decline in the number of customers buying on installment could also have a material adverse effect on the Company's revenues, financial condition and results of operations.

The various measures undertaken by governments worldwide in an attempt to control the spread of COVID-19 has caused disruptions to businesses and economic activities worldwide. While its impact on businesses continues to evolve, these necessary measures have exposed the Company to risks of increased defaults and cancelled sales. As of June 30, 2021, the Company noted that only 3.13% of its total buyers have requested cancellation of their installment contracts since the Philippines was placed under community quarantine in March 2020.

The Company has not experienced any significant defaults, even in 2020, the period when the Philippines was placed under community quarantine, as it recorded only 1.73% defaults of its total sale on installments. Further to that, the Company only observed 1.69%, 1.86% and 2.14% default rates in 2017, 2018 and 2019, respectively. The Company believes that the impact of customer defaults is minimized since the Company conducts extensive credit checks on its customers and the possession and physical title of these properties remain with the Company until all required payments are made and complete. Furthermore, assets under the in-house installment program are mostly lots and the Company believes that it will be able to resell these lots through the marketing companies that it engages for its projects. The Company will continue to monitor the sales and cancellations in order to be able to respond in a timely manner.

The Company faces certain risks related to the cancellation of sales involving its residential projects and if the Company were to experience a material number of sales cancellations, the Company's historical revenues would be overstated.

As a developer and seller of residential real estate, the Company's business, financial condition and results of operations could be adversely affected in the event a material number of sales contracts for subdivision lots and condominium units are cancelled.

- The Company is subject to Republic Act No. 6552 (the "Maceda Law"), which applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units (but excluding industrial and commercial lots). Under the Maceda Law, buyers who have paid at least two years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. This right shall be exercised by the buyer only once in each year of the life of the contract and its extensions, if any. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of installments have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installments and who default on installment payments are given a 60-day grace period to pay all unpaid installments before the sale can be cancelled, but without right of refund.

- While the Company historically has not experienced a material number of cancellations to which the Maceda Law has applied, there can be no assurance that it will not experience a material number of cancellations in the future, particularly during slowdowns or downturns in the Philippine economy, periods when interest rates are high or similar situations. In the event the Company does experience a material number of cancellations, it may not have enough funds on hand to pay the necessary cash refunds to buyers or it may have to incur indebtedness in order to pay such cash refunds. In addition, particularly during an economic slowdown or downturn, there can be no assurance that the Company would be able to resell the same property or resell it at an acceptable price. Any of the foregoing events would have a material adverse effect on the Company's business, financial condition and results of operations.

- In the event the Company experiences a material number of sales cancellations, investors are cautioned that the Company's historical revenues would have been overstated because such historical revenues would not have accurately reflected subsequent customer defaults or sales cancellations. Investors are also cautioned not to rely on the Company's historical income statements as indicators of the Company's future revenues or profits.

There can be no assurance that the Company will not suffer from substantial sales cancellations and that such cancellations will not have a material adverse effect on its financial condition and results of operations. The Company recorded 2.86%, 5.73% and 1.30% of its total buyers requesting cancellation in 2018, 2019 and 2020, respectively.

In an effort to minimize the impact of such risk, receivable balances are monitored by the Company on a regular basis. In addition, majority of the Company's historical revenues have been from lot sales. The development and maintenance of these lots involves lower costs compared to house and lot developers, and that residential lots would be easier to resell than other property types.

The Company is subject to significant competition in connection with its land development and leasing business.

The Company competes with a number of land and commercial developers, some of which have greater financial resources and may be perceived to have more attractive projects. Competition from other developers may adversely affect the Company's ability to successfully operate its investment properties, and continued development by these and other market participants could result in saturation of the market for residential and commercial projects.

With respect to residential lots and condominium sales, the Company considers DMCI Homes, Filinvest, and SM Development Corporation as its competitors. The Company is able to effectively compete for the buyers primarily on the basis of price, reliability and location of the development site.

With respect to its mall business, SM Prime and Robinsons Land are considered as the main competitors of the Company. The Company is able to compete for the buyers on the basis of effective tenant mix, location and rental rates.

The competition that the Company faces in these sectors of the property market, and its ability to compete with larger and more experienced competitors, could have a material adverse effect on the Company's results of operations or financial condition.

To manage the risk, the Company intends to focus on its competitive strengths, which include (i) established track record in real estate development, (ii) efficient joint venture model, (iii) expansion in established strategic growth areas, (iv) sales and marketing team with nationwide and global coverage and (v) experienced and dedicated management team. Its business strategies include (i) continuing its joint venture growth formula, (ii) expanding its recurring income base, (iii) boosting brand awareness and strengthening brand equity, (iv) building master-planned and integrated communities, and (v) exploring complementary ventures and platforms.

Fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on the Company's and its customers' ability to obtain financing.

Interest rates, and factors that affect interest rates, such as the Government's fiscal policy, could have a material adverse effect on the Company and on demand for its products. For example:

- In connection with the Company's real estate development business, higher interest rates make it more expensive for the Company to borrow funds to finance ongoing projects or to obtain financing for new projects.

- Insofar as the Company's core land development business is concerned, because the Company believes that a substantial portion of its customers procure financing (either from banks or using the Company's sale on installment program) to fund their property purchases, higher interest rates make financing, and therefore purchases of real estate, more expensive, which could adversely affect demand for the Company's residential projects.

- If the Government significantly increases its borrowing levels in the domestic currency market, this could increase the interest rates charged by banks and other financial institutions and also effectively reduce the amount of bank financing available to both prospective property purchasers and real estate developers, including the Company.

- The Company's access to capital and cost of financing are also affected by restrictions, such as single borrower limits, real estate stress test limit for real estate exposures, and real estate limits, all of which are imposed by the BSP on bank lending. If the Company were to reach the single borrower limit, real estate stress test limit for real estate exposures, or real estate limit with respect to any bank, the Company may have difficulty obtaining financing with reasonable rates of interest from other banks.

- If the BSP also lowers the cap on the loan-to-collateral value ratio, which currently is at 60% of the collateral value of a property, the amount of capital accessible to the buyers of the Company's projects would be limited.

To manage interest rate risk, the Company's long-term loans are a combination of floating-rate and fixed-rate loans. In the Monetary Board policy meeting of the BSP on November 19, 2020, the BSP decided to cut the interest rate on the BSP's overnight reverse repurchase facility by 25 basis points to 2.0%. Accordingly, the interest rates on the overnight deposit and lending rates facilities were reduced to 1.5% and 2.5%, respectively.

Inflation rose to 3.3% in November, brought about by natural disasters that put upward pressure on select agricultural commodities during the month. BSP forecast inflation to average 2.3%, 2.8% and 3.0% for 2020, 2021 and 2022, respectively.

The Company faces risks relating to the management and acquisition of its land bank, which could adversely affect its margins.

The Company must continuously seek JV partners and/or acquire land for its own account in order to replenish and expand its land inventory. Risks inherent in purchasing and developing land increase as consumer demand for residential real estate decreases. The market value of land and subdivision lots can fluctuate significantly as a result of changing market conditions. The Company cannot assure investors that the measures it employs to manage land inventory risks will be successful.

Changes in economic or market conditions may also require the Company to defer the commencement of projects. This would require the Company to continue to carry the cost of acquired but undeveloped land on its financial statement, as well as reduce the amount of property available for sale.

Any of the foregoing events would have a material adverse effect on the Company's business and financial condition. The Company takes steps to ensure that JV agreements and land purchases are on reasonable terms, and at locations that are marketable for short and long-term projects. The Company will ensure that the steps taken are in line with the Company's competitive strengths which includes efficient joint venture model and expansion in established strategic growth areas.

Titles over land owned by the Company may be contested by third parties.

While the Philippines has adopted a system of land registration which is intended to conclusively confirm land ownership, and which is binding on all persons (including the Government), it is not uncommon for third parties to claim ownership of land that has already been registered and over which a title has been issued. There have also been cases where third parties have produced false or forged title certificates of title over land.

Although the Company conducts extensive title searches before it acquires any parcel of land, from time to time the Company has been compelled to defend itself against third parties who claim to be the rightful owners of land that has been either titled in the name of the persons selling the land to the Company or which has already been titled in the name of the Company. Although historically these claims have not had a material adverse effect on the Company and its business, in the event a greater number of similar third-party claims are brought against the Company in the future or any such claims involves land that is material to the Company's housing and land development projects, the Company's management may be required to devote time and incur significant costs in defending the Company against such claims. In addition, if any such claims are successful, the Company may have to either incur additional costs to settle such third-party claims or surrender title to land that may be material in the context of the Company's housing and land development projects.

Any of the foregoing circumstances could have a material adverse effect on the Company's business, financial condition and results of operations, as well as on its business reputation. To mitigate the risk of land titles being contested by third parties, the Company conducts thorough title verification of the properties the Company purchases.

The Company's lands and real properties may be subject to compulsory acquisition by the Government.

The Government, by virtue of the sovereign power of eminent domain, has the authority to acquire private properties in the Philippines for public benefit or use upon observance of due process of law and payment of just compensation. In the event that the Government undertakes expropriation proceedings, the Company may be subject to a reduction of its landholdings. The amount of just compensation may also be less than the market value of the relevant property, and may thus affect the Company's business.

The Company and SLRDI face risks relating to its residential property development business, including risks relating to project cost and completion.

The Company's principal business is the development of subdivision lots and sale of residential properties in the Philippines. The property development business involves significant risks distinct from those involved in the ownership and operation of established properties, including the risk that significant time and money may be invested in a project that may not attract sufficient levels of demand in terms of anticipated sales and which may not be commercially viable. In addition, obtaining required Government approvals and permits may take substantially more time and resources than anticipated or construction of projects may not be completed on schedule and within budget. These risks relating to project cost and completion apply to the Company's projects as well as that of SLRDI's projects, some of which involve parcels of land assigned to the Company.

Furthermore, the time and the costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including shortages of materials, equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, COVID-19 pandemic regulations and challenges, changes in laws or in Government priorities and other unforeseen problems or circumstances. Any of these factors could result in project delays and cost overruns, which could negatively affect the Company's margins. This may also result in sales and resulting profits from a particular development not being recognized in the year in which it was originally expected to be recognized, which could adversely affect the Company's results of operations for that year. Further, the failure to complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

To manage this risk, the Company accredits and establishes relationships with qualified suppliers to provide cost and budgetary estimates, and ensure supply of materials to be used for developing the land. The Company also appoints contractors based on a number of qualifications such as experience in the project area, past project performance, and contract price, among others.

The Company's reputation will be adversely affected if its projects, and to a certain extent SLRDI's projects, are not completed on time or if the projects do not meet customers' requirements.

With the vast track record of developing real estate in the Philippines, the Company believes it has established an excellent reputation and brand name. If any of the Company's projects experience construction or infrastructure failures, design flaws, significant project delays, quality control issues or otherwise, this could have a negative effect on the Company's reputation and make it more difficult to attract new customers to its new and existing projects. The Company's reputation may also be adversely affected if SLRDI, its majority shareholder, should encounter similar issues in its development projects. While the Company and SLRDI are separate and distinct juridical entities, both companies are in real estate development and there are times when they are confused or interchanged by the public.

Any negative effect on the Company's reputation or its brand could affect the Company's ability to sell its projects. This would impair the Company's ability to reduce its capital investment requirements. The Company cannot provide any assurance that such events will not occur in a manner that would adversely affect its results of operations or financial condition.

The Company appoints contractors based on a number of qualifications such as experience in the project area and past project performance, among others, to ensure that the quality of projects developed meets the requirements of its customers. In terms of after-sales service, the customers' needs are addressed by the Company's appropriate department/unit. Any technical concerns are addressed by the assigned engineers. Engineers are assigned on a per city/region basis as well so that project responsibility and accountability is clear and focused. The Company also ensures in its agreements with all of its contractors that warranties and 10% retention are in place after turnover to ensure the delivery of quality products to its customers.

In 2020, in response to the outbreak of COVID-19, the Government has imposed travel bans on several affected countries, which may have an adverse impact to the Company's suppliers' and contractors' ability to deliver, which could delay the construction of the Company's projects. However, the Company observed no significant delays since the development activities were only suspended for a few months and has resumed as soon as the enhanced community quarantine was lifted. The outbreak made the Company become extra cautious in the implementation of sanitary and health protocols in the workplace; and no significant issues were noted on the resumption of development activities.

Independent contractors may not always be available, and once hired by the Company, may not be able to meet the Company's quality standards or may not complete projects on time and within budget.

The Company relies on independent contractors to provide various services, including land clearing and infrastructure development, various construction projects and building and property fit-out works. The Company selects independent contractors principally by conducting tenders and taking into consideration factors such as the contractors' experience, its financial and construction resources, any previous relationship with the Company, its reputation for quality and its track record. There can be no assurance that the Company will be able to find or engage an independent contractor for any particular project or find a contractor that is willing to undertake a particular project within the Company's budget, which could result in costs increases or project delays. Further, although the Company's personnel actively supervise the work of such independent contractors, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or at par with the Company's requirements for quality. Contractors may also experience financial or other difficulties, and shortages or increases in the price of construction materials may occur, any of which could delay the completion or increase the cost of certain housing and land development projects, and the Company may incur additional costs as a result thereof. Any of these factors could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company carefully selects and accredits only qualified suppliers to provide cost and budgetary estimates, and supply of materials to be used for developing the properties. The Company also appoints contractors based on a number of qualifications such as experience in the project area, past project performance, and contract price, among others.

The Company operates in a highly-regulated environment and is affected by the development and application of regulations in the Philippines.

The Philippines' property development industry is highly regulated. The development of subdivision and other residential projects is subject to a wide range of government regulations, which, while varying from one locality to another, typically include zoning considerations as well as the requirement to procure a variety of environmental and construction-related permits. In addition, projects that are to be located on agricultural land must get clearance from the Philippine Department of Agrarian Reform ("DAR") so that the land can be converted into non-agricultural land prior to development and, in certain cases, tenants occupying agricultural land may have to be relocated at the Company's expense.

Presidential Decree No. 957, as amended, ("PD 957") and Batas Pambansa Blg. 220 ("BP 220") are the principal statutes which regulate the development and sale of real property as part of a condominium or subdivision project. PD 957 and BP 220 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes. The Housing and Land Use Regulatory Board ("HLURB") is the administrative agency of the Government that enforces these statutes. Regulations applicable to the Company's operations include standards regarding:

- the suitability of the site;
- road access;
- necessary community facilities;
- open spaces;
- water supply;
- sewage disposal systems;
- electricity supply;
- lot sizes;
- the length of the housing blocks; and
- house construction.

All subdivision development plans are required to be filed with and approved by the local government unit with jurisdiction over the area where the project is located. Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government unit. There can be no assurance that the Company, its subsidiaries or associates or partners will be able to obtain governmental approvals for its projects or that when given, such approvals will not be revoked.

In addition, owners of or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of subdivision lots and housing units. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance by the owner or dealer with applicable laws and regulations. Dealers, brokers and salesmen are also required to register with the HLURB. Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB itself or upon a verified complaint from an interested party for reasons such as insolvency, non-delivery of title to fully-paid buyers, deviation from approved plans, or violation of any of the provisions of PD 957. A license to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at low-cost housing, must comply with BP 220, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with PD 957 which sets out standards for lower density developments. Both types of development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction.

Under current regulations, a developer of a residential subdivision is required to reserve at least 30% of the gross land area of each subdivision for open space for common uses, which include roads and recreational facilities. A developer of a commercial subdivision is required to reserve at least 3.5% of the gross project area for parking and pedestrian malls.

Republic Act No. 7279 ("RA 7279"), otherwise known as the Urban Development and Housing Act, as amended by Republic Act No. 10884, further requires developers of proposed residential subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost and at least 5% of the residential condominium area or project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB and other existing laws. While this is the preferred manner of compliance, the developer may resort to other manners of compliance such as (i) developing socialized housing in a new settlement; (ii) entering into joint-venture projects for socialized housing with local government units, housing agencies, other private socialized housing developers, or non-government organizations engaged in the provision of socialized housing in accordance with the regulations; or (iii) participating in a new project under the community mortgage program (CMP) through land development in a CMP project. To comply with this requirement, a developer may also invest in socialized housing bonds approved by the HLURB or such other options as provided in the law and applicable regulations. These options include the development of a new settlement, slum upgrading, participation in a community mortgage program, the undertaking a joint-venture projects and the building of a large socialized housing project to establish a credit balance.

Republic Act No. 4726, otherwise known as The Condominium Act (“RA 4726”), as amended, likewise regulates the development and sale of condominium projects. RA 4726 requires the annotation of the master deed on the title of the land on which the condominium project shall be located. The master deed contains, among others, the description of the land, building/s, common areas and facilities of the condominium project. A condominium project may be managed by a condominium corporation, an association, a board of governors or a management agent, depending on what is provided in the declaration of restrictions of the condominium project. However, whenever the common areas are held by a condominium corporation, such corporation shall constitute the management body of the project.

Should any of the Company’s subsidiaries engage in construction, it shall be subject to regulation by the Government, particularly the Philippine Contractors Accreditation Board (“PCAB”) which was created by virtue of Republic Act No. 4566 (“RA 4566”). RA 4566 as amended by Presidential Decree No. 1746 provides that no contractor (including sub-contractor and specialty contractor) shall engage in the business of contracting without first having secured a PCAB license to conduct business. It is an offense to engage in contracting business without a license first being obtained. The purpose of RA 4566 is to ensure, for the safety of the public, that only qualified and reliable contractors are allowed to undertake construction in the country. The law also aims to promote for the benefit of the public and private sectors and for the national interest, the orderly growth of the contracting sector and the upgrading of construction capability.

In acting upon the application and granting such license, the PCAB takes into consideration the applicant - contractor's qualifications and compliance with certain minimum requirements in the following criteria: (i) financial capacity; (ii) equipment capacity; (iii) experience of firm; and (iv) experience of technical personnel. Philippine laws also require a contractor to secure construction permits and environmental clearances from appropriate Government agencies prior to actually undertaking each project.

To mitigate the risk of development and application regulations in the Philippines having an adverse effect on the Company’s projects, the Company’s Legal Department and Engineering Department ensure that all projects are compliant with Government regulations and specifications.

The Company may fail to secure the licenses, permits and other authorizations for its operations, or fulfill the terms and conditions thereon, or fail to renew them on expiration.

The Company is required to secure and maintain business licenses, permits and other authorizations, including those relating to certain construction activities for its properties, and is also required to obtain and renew various permits, including business permits and permits concerning, for example, health and safety, environmental standards. The Company’s licenses, permits and other authorizations contain various requirements that must be complied with to keep such licenses, permits and other authorizations valid. If the Company fails to meet the terms and conditions of any of its licenses, permits or other authorizations necessary for its operations, these may be suspended or terminated, leading to temporary or potentially permanent closing of properties, suspension of construction activities or other adverse consequences. In addition, there is no certainty that any given license, permit or authorization will be deemed sufficient by the relevant governmental authorities to fully cover activities conducted in reliance on such license, permit or authorization.

There can be no assurance that the Company will continue to be able to secure or renew, as the case maybe, the necessary licenses, permits and other authorizations for its properties as necessary or that such licenses, permits and other authorizations will not be revoked. If the Company is unable to obtain or renew them or is only able to do so on unfavorable terms, this could have an adverse effect on its business, financial condition and results of operations. These risks relating to the failure to secure the necessary licenses, permits, and other authorizations apply to the Company's projects as well as that of SLRDI's projects, some of which involve parcels of land assigned to the Company. For more discussion on the compliance with pemits, please refer to page [134] on the "Business – Horizontal and Vertical Projects".

To manage the risk, the Legal Department and Engineering Department of the Company and SLRDI will work together to ensure that the licenses and permits are renewed on time and that the terms and conditions of the licenses and permits are complied with.

Environmental laws applicable to the Company's projects could have a material adverse effect on its business, financial condition or results of operations.

In general, developers of real estate projects are required to submit project descriptions to regional offices of the DENR. For environmentally sensitive projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment may be required and the developer will be required to obtain an ECC to certify that the project will not have an unacceptable environmental impact. There can be no assurance that current or future environmental laws and regulations applicable to the Company will not increase the costs of conducting its business above currently projected levels or require future capital expenditures. In addition, if a violation of an ECC occurs or if environmental hazards on land where the Company's projects are located cause damage or injury to buyers or any third party, the Company may be required to pay a fine, to incur costs in order to cure the violation and to compensate its buyers and any affected third parties. The Company cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

To mitigate the risk that environmental laws may have an adverse effect on the Company's projects, the Company's Legal Department, Engineering Department and Permits and Licenses Department ensure that the projects are compliant with environmental laws.

The Company is majority controlled by SLRDI and indirectly by the Robles and Santos families, and interests of SLRDI and the Robles and Santos families may differ significantly from the interests of the Company's other shareholders.

SLRDI controls and is expected to continue to control the Company. In turn, SLRDI is controlled by members of the Robles and Santos families, who either individually or collectively have controlled SLRDI and the Company since its formation. Members of the Robles and Santos families also serve as directors and executive officers in SLRDI, the Company and its affiliates. The interests of the Robles and Santos families may differ from the interests of the Company and the Company's other shareholders, and there can be no assurance that they will exercise influence over the Company in a manner that is in the best interest of the Company and the Company's other shareholders. In addition, there can be no assurance that the Company's business, financial position and results of operations will not be adversely affected in the event the Robles and Santos families reduces part of, or disposes all of, their shareholdings in the Company.

To protect minority shareholders, major decisions are subject to Board approval which includes independent directors. Moreover, the Company has a manual on corporate governance which it strictly adheres to. All material board matters are disclosed to the PSE and are available to the general public.

The Company has a number of related-party transactions with affiliated companies.

The companies controlled by the Robles and Santos families and by SLRDI have a number of transactions with the Company. The Company's practice has been to enter into contracts with these affiliate companies on commercial terms which are at least as favorable as the terms available to or from non-affiliated parties.

The Company expects that it will continue to enter into transactions with companies directly or indirectly controlled by or associated with SLRDI and the Robles and Santos families. These transactions may involve potential conflicts of interest which could be detrimental to the Company and/or its shareholders. Conflicts of interest may also arise among SLRDI, the Robles and Santos families, and the Company in a number of other areas relating to its businesses, including:

- major business combinations involving the Company and its subsidiaries;
- plans to develop the respective businesses of the Company and its subsidiaries; and
- business opportunities that may be attractive to SLRDI, the Robles and Santos families and the Company.

The Company can provide no assurance that its related-party transactions will not have a material adverse effect on its business or results of operations.

On January 23, 2013, the BIR issued Revenue Regulations No. 2-2013 on Transfer Pricing Guidelines (the "Transfer Pricing Guidelines") which adheres to the arm's length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines. The Transfer Pricing Guidelines are applicable to cross-border and domestic transactions between related parties and associated enterprises. The BIR Transfer Pricing Guidelines define related parties as two or more enterprises where one enterprise participates directly or indirectly in the management, control, or capital of the other; or if the same persons participate directly or indirectly in the management, control, or capital of the enterprises.

The arm's length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party such that if two related parties derive profits at levels above or below comparable market levels solely by reason of the special relationship between them, the profits will be deemed as non-arm's length. In such a case, the BIR can make the necessary adjustments to the taxable profits of the related parties so as to reflect the true value that would otherwise be derived on an arm's length basis.

There is no assurance if the BIR will view these transactions as arm's length on the basis of the Transfer Pricing Guidelines. There can be no assurance that the Company's level of related party transactions, if questioned, will not have an adverse effect on the Company's business or results of operations.

The Company believes that its corporate governance provisions and related party transaction policies would help the Company manage the risk of conflict of interest in relating to related party transactions. Dealings within the Group are made at terms and prices agreed upon by the respective parties, on an arms-length basis. Related party transactions are subject to stringent voting requirements at the Board level which includes the participation of independent directors, and the Company has a manual on corporate governance which it must strictly adhere to.

The Company may be unable to attract and retain skilled professionals, such as architects and engineers.

The Company's ability to plan, design and execute current and future projects depends on its ability to attract, train, motivate and retain highly skilled personnel, particularly architects and engineers. The Company believes that there is significant demand for such personnel not only from its competitors but also from companies outside the Philippines, particularly companies operating in the Middle East. Any inability on the part of Company in hiring and, more importantly, retaining qualified personnel could impair its ability to undertake project design, planning and execution activities in-house and could require the Company to incur additional costs by having to engage third parties to perform these activities.

The Company believes that it has been successful in fostering good relationships with its employees. To mitigate the risk of the Company being unable to attract and retain skilled professionals, the Company will continue to provide professional training programs to enable its employees to serve its customers better, increase productivity and improve their skills. The Company also provides competitive compensation and benefit packages.

The Company is dependent on third-party brokers to sell its subdivision lots and condominium units.

Aside from SVI, the marketing and advertising arm of the Group, the Company relies on affiliated and third-party brokers to market and sell its subdivision lots and condominium units to potential customers inside and outside of the Philippines. These brokers may also act as brokers for other developers in the same markets in which the Company operates, and there can be no assurance that they will not favor the interests of their other clients over the interests of the Company, or otherwise act in the Company's best interests. There is competition for the services of third-party brokers in the Philippines, and many of the Company's competitors either use the same brokers as the Company or attempt to recruit brokers away from the Company. If a large number of these third-party brokers were to terminate or breach their brokerage agreements, the Company would be required to seek other external brokers, and there can be no assurance that the Company could do so quickly or in sufficient numbers. This could disrupt the Company's business and negatively affect its financial condition, results of operations and prospects.

To mitigate this risk, the Company offers incentives to these brokers based on sales targets such as domestic and international all-expense paid trips.

A domestic asset price bubble could adversely affect the Company's business.

One of the risks inherent in any real estate property market is the possibility of an asset price bubble. This occurs when there is a gross imbalance between the supply and demand in the property market, causing an unusual increase in asset prices, followed by a drastic drop in prices when the bubble bursts. In the Philippines, the growth of the real estate sector is mainly driven by low interest rates, robust remittances from OFWs, and the growing BPO sector which is vulnerable to global economic changes.

The Company believes that the Philippine property sector is adequately protected against a domestic asset price bubble burst. The country has a very young demographic profile benefitting from rising disposable income. It likewise has one of the fastest growing emerging economies, registering Gross Domestic Product growth rates of 6.3% in 2018, 6.0% in 2019 and -9.5% in 2020, with the growth in the property sector is largely supported by infrastructure investments from both the public and private sectors and strong macroeconomic fundamentals. Despite the 9.5% decline in GDP, the Company’s 2020 net income declined only by 2%. In light of the COVID-19 vaccination program being undertaken worldwide, economic recovery is being foreseen. According to the World Bank, the global economy is set to expand 5.6% in 2021 – its strongest post-recession pace in 80 years. This recovery is uneven and largely reflects sharp rebounds in some major economies. In many emerging market and developing economies, obstacles to vaccination continue to weigh on activity. As of June 2021, the Philippines has only fully vaccinated 2% of its population but the government plans to speed up vaccination rate as more vaccines become available.

There can be no assurance, however, that the Philippines will achieve the desired vaccination rate to fully open up the economy and strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's business, financial condition and results of operations.

The Company believes that should the country experience such an asset price bubble, impact on the Company will be relatively mitigated since most of its properties are located in the province.

The Company is exposed to risks relating to the leasing business.

The Company leases its retail and office spaces to various third parties and affiliates. Some factors concerning the Company’s tenants that could affect the Company’s financial condition may include the following:

- untimely expiration of leases and vacancies of tenants;
- delays in the payment of rent due to a tenant’s declining sales or slow turnover;
- tenants seeking the protection of bankruptcy laws that could result in delays in the Company’s receipt of rental payments;
- the Company’s inability to collect rental payments or the early termination of a tenant’s lease;
- tenants that do not comply with the general terms of the lease; and

- changes in laws and government regulations relating to real estate, including those governing usage, zoning, taxes and government charges that could lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance.

Further, the occurrence of events with widespread macroeconomic impact such as COVID-19 may significantly accelerate change in the demand for retail and office spaces.

Any unfavorable developments with respect to the Company's tenants could have an adverse effect on the Company's business, financial condition and results of operations. To mitigate the risk, the Company's leasing policies include screening applicants carefully and securing appropriate mix of tenants with respect to its retail spaces, both in terms of the nature of their business and their size.

Electronic commerce platforms may challenge the viability of the retail tenants of the Company

The Company expects to derive a substantial portion of its revenue from its portfolio of retail and office leasing space. The Company's retail tenants may be affected by the growth and popularity of online purchasing, shifts in marketing strategies by retailers in response to changing market conditions and opportunities provided by electronic commerce platforms. In light of the COVID-19 pandemic, the tenants are slowly shifting to online platforms and are strengthening their broadband capacities. There is no assurance that the growth of e-commerce will not have a material adverse effect on the Company's business, financial condition and results of operations.

The Company expects that its retail properties will complement electronic commerce platforms by enabling retailers to provide a physical outlet for online purchasers to receive their items. While food choices are also available in the e-commerce platform, these food stores will still need sufficient space and, therefore, will continue leasing commercial spaces. In addition, having an appropriate mix of tenants (e.g., retailers of apparel and consumer electronics, food kiosks, supermarket for basic necessities) allows the Company to continue generating leasing revenue since basic necessities are traditionally procured through brick-and-mortar store.

The exit of Philippine Offshore Gaming Operators ("POGOs") or BPOs from the Philippines may adversely affect the Company's rent income.

Historically, the Company has derived substantially all of its revenues and operating profits from the Philippines and, as such, its businesses are highly dependent on the state of the Philippine economy. Demand for residential real estate, commercial leasing and office leasing are all directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines as well as the amount of remittances received from OFWs and expatriate Filipinos.

Aside from OFWs and expatriate Filipinos, the Company has also benefited from the growth of the BPO industry as increased revenues have allowed more people to purchase their own homes rather than renting them. However, benefitting from the growth of the BPO sector that mainly originate from other countries exposes the Company to certain political and economic conditions present in such jurisdictions. These conditions include but are not limited to: (a) a downturn in the economic performance and (b) a change in government policy that limits or suspends the outsourcing of functions to offshore BPO companies. Any of these events could adversely affect the demand from the BPO sector, potentially leading to an adverse effect on the Company's business, financial condition, and results of operations.

The Company entered into a lease contract with a POGO company pursuant to which said company leases 26,011 sqm space of the Sta. Lucia Business Center located in Cainta, Rizal. The construction of the Sta. Lucia Business Center was completed in October 2020.

Recently, the BIR and PAGCOR have imposed stringent tax rules on POGOs and PAGCOR-accredited BPOs which have resulted in some POGOs and PAGCOR-accredited BPOs closing their operations in the Philippines. The Philippine Department of Finance has indicated that they will continue to investigate and strictly require all POGOs and PAGCOR-accredited BPOs to pay all their taxes, including franchise taxes, and that only POGOs and PAGCOR-accredited BPOs that have paid their taxes and been cleared by PAGCOR may resume operations. Additionally, Philippine government officials have called for closure or increased taxation or regulation of POGO operations.

Among the Bayanihan 2 Act's revenue raising measures of the Bayanihan to Recover as One Act (the "Bayanihan 2 Act") include the imposition of a 5% franchise tax based on the higher of gross bets or turnovers or the agreed pre-determined minimum monthly revenues from POGO licensees, including gaming operators, gaming agents, service providers and gaming support providers. The Bayanihan 2 Act also sought to fund the government's subsidy and stimulus measures to address the COVID-19 pandemic from income tax, value added tax and other applicable taxes from non-gaming operations earned by offshore gaming licensees, operators, agents, service providers and support providers. Prior to the Bayanihan 2 Act, the 5% franchise tax was dependent on winnings, as the tax was imposed on the higher of gross gaming receipts or earnings, or the agreed or pre-determined minimum monthly revenues or income. Accordingly, basing the calculation of the 5% franchise tax on the higher of gross bets or turnovers is expected to effectively increase tax liabilities of covered businesses, as the value of the bet itself considered as part of the tax base. The Bayanihan 2 Act further provides that all taxes currently imposed on POGOs and PAGCOR-accredited BPOs must be computed based on the prevailing official exchange rate at the time of payment. The use of any other rate is considered fraudulent constituting underdeclaration, which is penalized by interest, fines and penalties under the National Internal Revenue Code. The Bayanihan 2 Act also directs the BIR to implement closure orders against POGOs and PAGCOR-accredited BPOs who fail to pay such taxes. By its terms, the Bayanihan 2 Act revenue raising measures are effective (unless extended by Congress) until the earlier of the lapse of two years or upon a determination that COVID-19 has been successfully contained or abated.

In a proceeding before the Philippine Supreme Court recorded as *Marco Polo Enterprises Limited, et al vs. Secretary of Finance and Commissioner of Internal Revenue* (GR No. 254102), the petitioners questioned the constitutionality of the Bayanihan 2 Act and applied for and obtained a temporary restraining order that enjoins the Secretary of Finance and the Commissioner of Internal Revenue from implementing the provisions of the Bayanihan 2 Act referred to above. On January 5, 2021, the Philippine Supreme Court issued a temporary restraining order (with one Justice dissenting) that prevents the government from implementing the revenue measures in the Bayanihan 2 Act described above. The order was effective on the date of its issuance and continues in effect until further orders from the Supreme Court. The Supreme Court has yet to make a final ruling on the legality of the relevant provisions of the Bayanihan 2 Act.

Should any of the BPO or POGO companies exit the Philippines or significantly downsize operations as a result of these developments, the Company may suffer from sales or lease terminations and there is no assurance that such terminations will not have a material adverse effect on its financial condition and results of operations.

Ultimately, however, the Company believes that its business and financial performance would not be significantly affected by any downturn in the BPO or POGO industry as these business segments, as of December 31, 2020, contributed only 10% of total rent income or 1% of the Company's total revenue. Nonetheless, the Company continuously monitors the political and economic situations and policies in the relevant jurisdictions to anticipate any effect it may have on the Company and its business.

The Company may be involved in legal and other proceedings arising from its operations.

In the ordinary course of business, the Company and its directors may be involved in disputes with various parties involved in the construction and operation of its properties, including contractual disputes with contractors, suppliers, construction workers and homeowners or property damage or personal liability claims. These proceedings relate to the Company's projects as well as that of SLRDI's projects, some of which involve parcels of land assigned to the Company. Regardless of the outcome, these disputes may lead to legal and other proceedings which may result in substantial costs, delays in the development schedule, and the diversion of resources and management's attention. The Company and SLRDI, as the case may be, may also have disagreements with regulatory bodies in the course of its operations, which may subject the Company or SLRDI to administrative proceedings and unfavourable decisions that could result in penalties and/or delay the development of the projects. In such cases, the Company's business could be materially and adversely affected.

To manage this risk, the Legal Department and Engineering Department of the Company and SLRDI work together to ensure that the terms and conditions of the licenses and permits are complied with. Issues relating to alleged violations raised by regulatory agencies are attended to by the relevant departments of the Company and SLRDI, who are in communication with the relevant local government units, the unit owners, the homeowners' associations and the nearby communities, where applicable.

With regard to concerns or complaints raised by customers or lot and/or unit buyers, a customer service group was established in July 2020 tasked with (i) gathering and collating all requests, complaints and other concerns from its customers; (ii) relaying these concerns to the relevant departments of SLRDI or the Company, as applicable, and (iii) monitoring the actions taken to resolve them as soon as possible. Through this group, the Company and SLRDI strive to address customer concerns in the most expedient and efficient means possible. With a dedicated group monitoring the actions taken, the Company or SLRDI expects that more issues will be easily resolved and need not be elevated to legal proceedings.

RISKS RELATING TO THE PHILIPPINES

All of the Company's operations and assets are based in the Philippines and, therefore, a slowdown in economic growth in the Philippines could materially and adversely affect the Company's business, financial position and results of operations.

All of the Company's assets are located in the Philippines, and the Company derives all of its revenues and operating profits from the Philippines and its business is dependent on the state of the Philippine economy. Demand for the Company's services are directly related to the strength of the Philippine economy (including overall growth and income levels) and the overall levels of business activity in the Philippines.

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of its currency and the imposition of exchange controls. Other factors that may adversely affect the Philippine economy include:

- reduced business, industrial, manufacturing or financial activity in the Philippines or elsewhere in Southeast Asia;
- scarcity of credit or other financing available to the Government, corporations or individuals in the Philippines;
- fluctuations in currency exchange rates and interest rates or prolonged periods of inflation or deflation;
- levels of employment, consumer confidence and income;
- delays in obtaining government approvals and permits;
- Government budget deficits;
- public health epidemics or outbreaks of diseases, such as outbreak of COVID-19 in the Philippines or in other countries in Southeast Asia;
- significant changes to the Government's economic, social or tax policies; natural disasters, including tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally;
- geopolitical tensions between the Philippines and other claimant countries concerning disputed territories in the West Philippine Sea;
- a downgrade in the long-term foreign and local currency sovereign credit ratings of the Philippines or the related outlook for such ratings; and
- other regulatory, political or economic developments in or affecting the Philippines.

Any deterioration in economic conditions in the Philippines as a result of these or other factors could materially and adversely affect the Company or its consumers, customers and contractual counterparties. This, in turn, could materially and adversely affect the Company's business, financial condition and results of operations and its ability to implement its business strategy.

Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Company's businesses.

The Philippine economy has experienced volatility in the value of the Peso and also limitations to the availability of foreign exchange. In July 1997, the BSP announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso declined from approximately ₱29.00 to U.S.$1.00 in July 1997 to ₱56.18 to U.S.$1.00 by December 2004.

While the value of the Peso has recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies. As of December 31, 2020, according to BSP data, the Peso has depreciated by 5.34% to ₱48.0360 per U.S.$1.00 from ₱50.7440 per U.S.$1.00 at the end of 2019. As of June 30, 2021, the Peso was at ₱48.54 against the U.S. dollar.

Political instability in the Philippines could destabilize the country and may have a negative effect on the Company.

The Philippines has from time to time experienced severe political and social instability. Its situation can be the cause of concern for some investors, particularly since the Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business.

In the last few years, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents and a chief justice of the Supreme Court of the Philippines, the removal of another chief justice of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by the previous and current administrations. In addition, a number of officials of the Philippine Government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery or usurpation of authority.

In June 2020, journalist Maria Ressa was convicted by the Regional Trial Court for violations of anti-dummy law and cyber libel. Her conviction elicited concern from the international community and has been criticized by various groups as an attempt by the government to silence critical press coverage against President Rodrigo Duterte and his administration. In December 2018, Senator Antonio Trillanes III was ordered arrested in connection with a libel case filed by presidential son Paolo Duterte. In February 2017, Senator Leila de Lima was arrested after charges were filed in court accusing her of orchestrating a drug-trafficking ring during her term as Secretary of the Department of Justice ("DOJ") from 2010 to 2015. Senator Trillanes and Senator de Lima are outspoken critics of the Duterte administration. In May 2018, the Supreme Court of the Philippines ousted Chief Justice Maria Lourdes Sereno by ruling in a quo warranto proceeding that her appointment was invalid. The removal of Chief Justice Sereno became controversial because it was not coursed through the constitutionally mandated process of impeachment. In June 2018, former President Benigno Aquino III was indicted for usurpation of legislative powers concerning the Disbursement Acceleration Program during his term. Moreover, several individuals who were high-ranking officers under the administration of President Aquino have also been indicted for graft and corruption charges and drug trafficking, among other offenses.

In addition, since the commencement of the current administration, more than 1,000 alleged drug dealers and users have been killed in police operations, and more than 1,300 drug dealers and drug users have been killed by supposed vigilantes. In addition, the Philippine legislature recently passed the Anti-Terrorism Act of 2020, which has drawn criticism from, and sparked protests by, various sectors because of its controversial provisions on warrantless arrests and its broad definition of terrorist acts, which they believe may be used to target government critics. The said law is subject of several petitions filed by various civil society groups challenging its constitutionality currently pending with the Supreme Court.

The Philippines will hold its presidential election on May 9, 2022 and election-related violence and issues may happen during the campaign period and on election day. There is no assurance that the incoming administration will continue to implement the social and economic policies of the current administration. Major deviation from the policies of the current administration or fundamental change of direction, including with respect to the country's foreign policies, may lead to an increase in political or social uncertainty and instability.

An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting or election-related violence, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of the Company.

There is no assurance that the political environment in the Philippines will be stable or that the current or any future government will adopt economic policies that are conducive to sustained economic growth or which do not materially and adversely impact the current regulatory environment for the telecommunications and other companies. An unstable political or social environment in the Philippines could negatively affect the general economic conditions and business environment in the Philippines which, in turn, could have a material and adverse impact on the Company's business, financial position and financial performance.

Natural or other catastrophes, including severe weather conditions, may materially disrupt the Company's operations and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. In January 2020, the Taal Volcano entered into a period of intense unrest beginning with phreatic or steam-driven activity in several points inside the Main Crater that progressed into magmatic eruption. The Philippine Institute of Volcanology and Seismology ("PHILVOCS") raised the alert level to Alert Level 4 on January 12, 2020. Pursuant to such events, PHILVOCS ordered the total evacuation of the Volcano Island and high-risk areas within a 14-kilometre radius from the Taal Main Crater. Although PHILVOLCS has since lowered the Alert Level covering Taal to Level 1, there can be no assurance that the Taal Volcano will not increase seismic activity or erupt in the future. In November 2020, 2 typhoons, Super Typhoon Rolly/Goni and Typhoon Ulysses/Vamco, brought strong winds and rain to the country. These back-to-back weather disturbances caused major destruction to property and massive flooding in various parts of the Philippines.

There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. In particular, damage caused by natural catastrophes could result in cancellation of flights, temporary closure of major roads and highways or other disruptions to transportation, which would prevent the Company from completing construction of its projects in a timely manner or at all. Moreover, such natural catastrophes could increase the costs of operating the Company's business. There can be no assurance that the Company will be fully capable to deal with such natural catastrophes and that the insurance coverage it currently maintains will fully compensate it for all the damages and economic losses resulting from these catastrophes.

Acts of terrorism could destabilize the country and could have a material adverse effect on the Company's business, financial position and results of operations.

The Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the

Philippines, mainly in cities in the southern part of the country. For example, in January 2019, bombs were detonated in the Jolo Cathedral in the Municipality of Jolo, Sulu and a Mosque in Zamboanga City, Zamboanga del Sur. In May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists who were inspired by pledged allegiance to the Islamic State of Iraq and Syria ("ISIS"). Due to the clash between the Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. Martial law in Mindanao was lifted on January 1, 2020, however certain areas in Mindanao remain under a state of emergency and law enforcement groups are in heightened security as a measure against potential terror threats.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to the Company's business and materially and adversely affect the Company's financial conditions, results of operations and prospects.

Continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the Armed Forces of the Philippines, which could destabilize parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Any future changes in PFRS may affect the financial reporting of the Company's business.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. As required by PAS 34, the nature and effect of these changes are disclosed below.

Deferred Effectivity

Deferral of Certain Provisions of Philippine Interpretations Committee ("PIC") Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018, the Philippine SEC issued SEC MC Nos. 14-2018 providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

		Deferral Period
a.	Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b.	Treatment of land in the determination of the Percentage of Completion ("POC") discussed in PIC Q&A 2018-12-E	Until December 31, 2023

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 on the financial statements had the concerned application guidelines in the PIC Q&A been adopted; and
d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

After the deferral period, real estate companies have an accounting policy option of applying either the full retrospective approach or modified retrospective approach as provided under SEC MC 8-2021.

The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied using full retrospective approach or modified retrospective approach. The Group elected to adopt the PIC Q&A using the modified retrospective approach. Under this approach, the cumulative effect of initially applying the PIC Q&A is recognized at the date of the initial application as an adjustment to the opening balance of retained earnings therefore the comparative information will not be restated. The Group has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell.

  The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

- IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)

  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 paragraph 35(c) of PFRS 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 PAS 23, Borrowing Costs, considering that these inventories are ready for their intended 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 ("MC No. 4-2020"), providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC Memorandum Circular No. 34, Series of 2020 ("MC No. 34-2020"), which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC Agenda Decision and any subsequent amendments thereto applying either the full retrospective approach or modified retrospective approach as provided under MC No. 8-2021. 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 would have been expensed out in the period incurred.

The related adjustment on borrowing costs should have been applied using either full retrospective approach or modified retrospective approach. The Group elected to adopt the IFRIC Agenda Decision using the modified retrospective approach. Under this approach, the cumulative effect of initially applying the IFRIC Agenda Decision is recognized at the date of the initial application as an adjustment to the opening balance of retained earnings therefore the comparative information will not be restated.

The above would have impacted the cash flows from operations and cash flows from financing activities for the year of initial application.

Overseas shareholders may be subject to restrictions on repatriation of Philippine Pesos received with respect to the Common Shares.

Under BSP regulations, as a general rule, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. Restrictions exist on the sale and purchase of foreign exchange within the Philippine banking system. In particular, a foreign investment must be registered with the BSP if foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue thereon is sourced from the Philippine banking system. See "Philippine Foreign Exchange and Foreign Ownership Controls" on page [246].

The Government has, in the past, instituted restrictions on the conversion of Philippine Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency-denominated obligations. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority during a foreign exchange crisis or in times of national emergency to suspend temporarily or restrict sales of foreign exchange, to require licensing of foreign exchange transactions or to require delivery of foreign exchange to BSP or its designee. The Company is not aware of any pending proposals by the Government relating to such restrictions. The Government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange. Any restrictions imposed in the future pursuant to such statutory authority could adversely affect the ability of investors to repatriate foreign currency upon sale of the Common Shares or dividends or distributions relating to them.

The credit ratings of the Philippines may restrict the access to capital of Philippines companies, including the Company.

Historically, the Philippines' sovereign debt has been rated non-investment grade by international credit rating agencies. In 2019, the Philippines' long-term foreign currency-denominated debt was upgraded by S&P Global ("S&P"), to BBB+ with stable outlook, while Fitch Ratings ("Fitch"), and Moody's Investors Service ("Moody's"), affirmed the Philippines' long-term foreign currency-denominated debt to the investment-grade rating of BBB and Baa2, respectively, with a stable outlook. On February 28, 2020, Fitch revised its rating of Philippines long-term foreign currency-denominated debt to BBB, with a positive outlook, following its expectation that sound macroeconomic management will continue to support high growth rates with stable inflation while ongoing tax reforms were expected to improve fiscal finances. On May 7, 2020, Fitch affirmed its rating of Philippines long-term foreign currency-denominated debt to BBB, but revised the outlook to stable, to reflect the deterioration in the Philippines' near-term macroeconomic and fiscal outlook as a result of the impact of the COVID-19 pandemic and domestic lockdown to contain the spread of the virus. In May 2020, S&P and Moody's affirmed its rating of BBB+ and Baa2, with stable outlook, respectively, for the Philippines' long-term foreign currency-denominated debt.

The Philippine Government's credit ratings directly affect companies domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that Fitch, Moody's, S&P, or any other international credit rating agency will not downgrade the credit ratings of the Philippine Government in the future and, therefore, Philippine companies. Any such downgrade could have a material adverse impact on the liquidity in the Philippine financial markets, the ability of the Philippine Government and Philippine companies, including the Company, to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes arising from competing and overlapping claims over certain islands and features in the West Philippine Sea. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tension in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the internal arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea. In July 2016, the Permanent Court of Arbitration rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Philippine Government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China. On June 9, 2019, a fishing boat manned by Filipino fishermen was rammed by a Chinese vessel at Recto Bank, an underwater reef formation being claimed by both the Philippines and China in the portion of the South China Sea portion that Manila calls the West Philippine Sea. The Filipino fishermen were abandoned in open sea and were eventually rescued by a Vietnamese vessel. This incident increased tensions between China and the Philippines. The owners of the Chinese vessel have since apologized to the Filipino fishermen and remuneration is being arranged for the fishermen.

There is no guarantee that the territorial dispute between the Philippine and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other's imports. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect the Company's business, financial position and financial performance.

The Company's business may be adversely affected by public health epidemics, outbreak of diseases and the ongoing COVID-19 pandemic which may slow down economic activity and tighten consumer spending.

In December 2019, an outbreak of the disease COVID-19 was first reported to have surfaced in Wuhan, the People's Republic of China, later resulting in millions of confirmed cases and fatalities globally. In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. As at the date of this Prospectus, the COVID-19 disease has continued to spread globally, with the number of reported cases and related deaths increasing daily, and in many countries, exponentially.

In response to the COVID-19 pandemic, the Philippine government placed Metro Manila under enhanced community quarantine from March 16 to May 15, 2020 and, among others, restricted traveling through land, domestic air, and domestic sea from Metro Manila. Other local governments in the Philippines followed in implementing similar lockdowns. Since March 2020, the government has implemented the community quarantine with varying degrees of restriction to stop the spread of COVID-19.

As of June 30, 2021, the Philippines had a total of 1,412,559 confirmed cases and 24,662 deaths, as reported by the Department of Health ("DOH"). As of July 2, 2021, total cases worldwide have reached 182,319,261 with 3,954,324 deaths, as reported by the WHO. The Philippine government, primarily through the Local Government Units, have actively been administering COVID-19 vaccinations in an effort to achieve herd immunity. According to the DOH, a total of 10,443,407 COVID-19 vaccine doses have been administered as on June 30, 2021.

As a result of the pandemic, several businesses were forced to close down, downsize, or pivot due to a decrease in market activity brought about by factors such as increased unemployment, rise in prices of consumer goods, and regulations on mobility of persons and goods. According to the Philippine Statistics Authority, the Philippine GDP shrank higher than expected at 4.2% for the first quarter of 2021. The World Bank has lowered its GDP forecast for the Philippines for 2021 from 5.5% to 4.7%.

The Philippines' unemployment rate was estimated at 7.7% as of end of May 2021. The lack of income, coupled with rising costs of goods as well as expenses brought about by COVID-19 (i.e., face masks, vitamins, treatment), has tightened consumer spending.

Due to the slow down of economic activities and tightened consumer spending, the Company recorded decrease in pre-sales for both the domestic and OFW markets and delayed construction services. Decline in revenues from the retail operations was also reported as compared to the same period last year. This was a result of decline in foot traffic and temporary suspension of mall operations except for outlets offering basic services like supermarkets, banks and healthcare centers, as mandated by the government.

Sales of properties outside Metro Manila nevertheless increased as government and private offices started implementing work from home arrangement. Buyers have expressed preference to purchase properties outside Metro Manila, where the Company's properties are located, in order to avoid the epicenter of COVID-19, among others.

The outbreak of COVID-19 and other adverse public health developments, such as the outbreak of avian influenza, severe acute respiratory syndrome, Zika virus, Ebola virus, or if any public health epidemic becomes widespread in the Philippines or increases in severity, could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Company's business, financial condition and results of operations. At present, the extent of the impact of COVID-19 on the Philippine economy and the speed and certainty of any economic recovery cannot be predicted, and any new surge in infections may result in stricter quarantine or lockdown measures across provinces, cities and municipalities and may lead to further contraction of the Philippine economy, closure of businesses, and rise in unemployment rates.

RISKS RELATING TO THE OFFER AND THE OFFER SHARES

The Offer Shares may not be a suitable investment for all investors.

Each prospective investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Company and its businesses, the merits and risks of investing in the Offer Shares and the information contained in this Prospectus;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for purchasing and receiving dividends on the Offer Shares is different from the potential investor's currency;

- understand and be familiar with the behavior of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The relative volatility and illiquidity of the Philippine securities market may substantially limit investors' ability to sell the Offer Shares at a suitable price or at a time they desire.

The Philippine securities markets are substantially smaller, less liquid, and more volatile relative to major securities markets in other jurisdictions, and are not as highly regulated or supervised as some of these other markets are. The Offer Price could differ significantly from the price at which the common shares will trade subsequent to completion of the Offer. There can be no assurance that even after the Offer Shares have been approved for listing on the PSE, any active trading market for the common shares will develop or be sustained after the Offer, or that the Offer Price will correspond to the price at which the common shares will trade in the Philippine public market subsequent to the Offer. There is no assurance that investors may sell the Offer Shares at prices or at times deemed appropriate.

Factors that could affect the price of the Company's common shares include the following:

- fluctuations in the Company's results of operations and cash flows or those of other companies in the Company's industry;
- the public's reaction to the Company's press releases, announcements and filings with the Philippine SEC and PSE;
- additions or departures of key personnel;
- changes in financial estimates or recommendations by research analysts;
- changes in the amount of indebtedness the Company has outstanding;
- changes in general conditions in the Philippines and international economy, financial markets or the industries in which the Company operates, including changes in regulatory requirements and changes in political conditions in the Philippines;
- significant contracts, acquisitions, dispositions, financings, joint marketing relationships, joint ventures or capital commitments by the Company or its competitors;
- asset impairments or other charges;
- developments related to significant claims or proceedings against the Company;
- the Company's dividend policy; and
- future sales of the Company's equity or equity-linked securities.

In recent years, stock markets, including the PSE, have experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to the operating performance of these companies. These broad market fluctuations may adversely affect the market prices of the Company's common shares.

Future sales of common shares in the public market could adversely affect the prevailing market price of the common shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of the Company's business and operations, the Company's Board of Directors will consider the funding options available to it at the time, which may include the sale of additional common shares from the treasury or the issuance of new common shares. If additional funds are raised through the sale or issuance of new equity or equity-linked securities by the Company other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders may be reduced, shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Offer Shares.

Further, the market price of the common shares could decline as a result of future sales of substantial amounts of common shares in the public market or the issuance of new common shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the common shares or the Company's ability to raise capital in the future at a time and at a price it deems appropriate.

The Company's shares are subject to Philippine foreign ownership limitations.

The Philippine Constitution and related statutes restrict land ownership to Philippine Nationals. The term "Philippine National" as defined under Republic Act No. 7042 or the Foreign Investments Act, as amended, means a citizen of the Philippines, a domestic partnership or association wholly owned by citizens of the Philippines or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine Nationals. As of the date of this Prospectus, the Company owns private land in the Philippines.

On May 20, 2013, the Philippine SEC issued Memorandum Circular No. 8, Series of 2013 which provided guidelines (the "Guidelines") on compliance with the Filipino-Foreign ownership requirements under the Philippine Constitution and other existing laws by corporations engaged in nationalized or partly nationalized activities (the "Nationalized Corporations"). The Guidelines provide that for purposes of determining compliance with the foreign equity restrictions in Nationalized Corporations, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. The validity of this Memorandum Circular and its interpretation of the rules on corporate nationality have been affirmed by the Supreme Court.

Since the aggregate foreign ownership in the Company is limited to a maximum of 40% of its issued and outstanding capital stock, the Company cannot allow the issuance or the transfer of its common shares to persons other than Philippine Nationals and cannot record transfers in its books if such issuance or transfer would result in the Company ceasing to be a Philippine National. This restriction may adversely affect the liquidity and market price of the common shares to the extent international investors are not permitted to purchase common shares in normal secondary transactions.

Developments in other markets and countries may adversely affect the Philippine economy and, therefore, the market price of the Company's common shares.

In the past, the Philippine economy and the securities of Philippine companies have been, to varying degrees, influenced by economic and market conditions in other countries, especially other countries in Southeast Asia, as well as investors' responses to those conditions. Although economic conditions are different in each country, investors' reactions to adverse developments in one country may affect the market price of securities of companies in other countries, including the Philippines. For example, the economic crisis in the United States and Europe triggered market volatility in other countries' securities markets, including the Philippines. Accordingly, adverse developments in the global economy could lead to a reduction in the demand for, and market price of, the common shares.

The Company may be unable to pay dividends on the common shares.

If the Company does not generate sufficient net operating profit, its income and resulting ability to pay dividends will be adversely affected. Dividends shall be declared and paid out of the Company's Unrestricted Retained Earnings, which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them.

Although the Company has adopted a dividend policy whereby, subject to available cash and the existence of Unrestricted Retained Earnings, up to 25% of the Company's net income for the preceding fiscal year will be declared as dividends, there is no assurance that the Company can or will declare dividends on the common shares in the future. Future dividends, if any, will be at the discretion of the Board and will depend upon the Company's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its Subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and loan covenants, including loan obligations and loan covenants of its Subsidiaries, and other factors the Board may deem relevant. See "Dividends and Dividend Policy" on page [71].

There can be no guarantee that the Offer Shares will be listed on the PSE.

Purchasers of the Offer Shares will be required to pay for such Offer Shares on the Offer Period expected to be on [November 11 to 17, 2021]. There can be no guarantee that listing will occur on the anticipated Listing Date or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares would be illiquid and shareholders will not be able to trade the Offer Shares on the PSE. This may materially and adversely affect the value of the Offer Shares.

The Company's management has broad discretion to determine how to use the proceeds received from the Offer, and may use them in ways that may not enhance the Company's operating results or the price of the Company's common shares.

The Company intends to use the net proceeds of this offering in accordance with and as described under "Use of Proceeds". The Company's management, however, will have broad discretion over the use and investment of the net proceeds of the Offer, and accordingly investors will need to rely upon the judgment of the Company's management with respect to the use of proceeds with only limited information concerning management's specific intentions.

RISKS RELATING TO THE PRESENTATION OF INFORMATION IN THE PROSPECTUS

Certain information contained herein is derived from unofficial publications.

Certain information in this Prospectus relating to the Philippines, the industry in which the Company competes, and the market in which the Company operates, including statistics relating to market size, is derived from various Government and private publications. This Prospectus also contains industry information prepared from available public sources and independent market research conducted by Colliers International Philippines, Inc. ("Colliers") to provide an overview of the real estate industry and office real estate markets in which the Company operates. The information contained in that section might not be consistent with other information regarding the Philippine real estate industry. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by the Company, the Lead Underwriter, nor any of their respective affiliates or advisors, and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. In particular, the section entitled "*Industry Overview*" in this Prospectus does not present the opinions of the Company, the Lead Underwriter or any of their respective affiliates. Prospective investors are cautioned accordingly.

USE OF PROCEEDS

The Company estimates that the net proceeds from the Offer at the Offer Price of [₱2.38 to ₱3.29] per share will be approximately [₱2,282.09 million to ₱9,553.09 million] after deducting the applicable underwriting fees and commissions and expenses for the Offer payable by the Company as shown below. At the Offer Price of [₱2.38 to ₱3.29] per share, the total proceeds from the offer and sale of the Offer Shares, the estimated costs and expenses for the offer and sale of the Offer Shares to be incurred by the Company and the estimated net proceeds from the offer and sale of the Offer are also shown in the table below.

	Estimated Amounts ***1.0B at ₱2.38/share*** **(₱ millions)**		**Estimated Amounts** ***2.5B at ₱2.38/share without Over-subscription*** **(₱ millions)**		**Estimated Amounts** ***2.5B at ₱2.38/share with Over-subscription*** **(₱ millions)**	
Estimated Gross Proceeds		**2,380.00**		**5,950.00**		**7,140.00**
Less: Estimated fees, commissions and expenses						
Gross Underwriting and Selling Fees*	62.63		156.58		187.89	
SEC registration, filing and research fees	1.17		2.07		2.37	
PSE filing fee	11.11		11.11		11.11	
Estimated professional fees	12.50		12.50		12.50	
Estimated other expenses**	0.50		0.50		0.50	
Documentary stamp tax	10.00		25.00		30.00	
Total estimated expenses	**97.91**		**207.76**		**244.38**	
Estimated net proceeds		**2,282.09**		**5,742.24**		**6,895.62**

	Estimated Amounts ***1.0B at ₱3.29/share*** **(₱ millions)**		**Estimated Amounts** ***2.5B at ₱3.29/share without Over-subscription*** **(₱ millions)**		**Estimated Amounts** ***2.5B at ₱3.29/share with Over-subscription*** **(₱ millions)**	
Estimated Gross Proceeds		**3,290.00**		**8,225.00**		**9,870.00**
Less: Estimated fees, commissions and expenses						
Gross Underwriting and Selling Fees*	86.58		216.45		259.74	
SEC registration, filing and research fees	1.40		2.64		3.06	
PSE filing fee	11.11		11.11		11.11	
Estimated professional fees	12.50		12.50		12.50	
Estimated other expenses**	0.50		0.50		0.50	
Documentary stamp tax	10.00		25.00		30.00	
Total estimated expenses	**122.09**		**268.20**		**316.91**	
Estimated net proceeds		**3,167.91**		**7,956.80**		**9,553.09**

**The estimated underwriting and selling fees payable to the Sole Issue Manager, Lead Underwriter and Sole Bookrunner is equivalent to 2.50% of the gross proceeds from the Offer Shares. These include fees of the Lead Underwriter and Joint Bookrunner and Co-Lead Underwriters.*
***Estimated other expenses include fees for publication, printing, shipping, and other miscellaneous expenses that the Company expects to incur in relation to the Offer.*

The Company intends to use the net proceeds from the Offer to partially finance its (i) capital expenditures for new and some of the ongoing projects; (ii) payment of short-term lines; (iii) strategic land banking; and for (iv) general corporate purposes. Further details on the proposed use of net proceeds are set forth below:

- Estimated Amounts at ₱2.38/share:

Use of Proceeds	**1.0B shares (₱millions)**	**%**	**2.5B shares without Over-subscription (₱millions)**	**%**	**2.5B shares with Over-subscription (₱millions)**	**%**	**Estimated Schedule of Disbursement**
Capital expenditures for new and on-going projects	1,590.45	69.69%	2,307.07	40.18%	3,402.78	49.35%	4th Quarter 2021 to 2022
Payment of Short-Term Lines	0.00	0.00%	995.70	17.34%	995.70	14.44%	
Strategic land banking	577.53	25.31%	2,152.36	37.48%	2,152.36	31.21%	
General corporate purposes	114.11	5.00%	287.11	5.00%	344.78	5.00%	
Total	**2,282.09**	**100.00**	**5,742.24**	**100.00**	**6,895.62**	**100.00**	

- Estimated Amounts at ₱3.29/share:

Use of Proceeds	**1.0B shares (₱millions)**	**%**	**2.5B shares without Over-subscription (₱millions)**	**%**	**2.5B shares with Over-subscription (₱millions)**	**%**	**Estimated Schedule of Disbursement**
Capital expenditures for new and on-going projects	2,207.81	69.69%	4,410.90	55.44%	5,927.38	62.05%	4th Quarter 2021 to 2022
Payment of Short-Term Lines	0.00	0.00%	995.70	12.51%	995.70	10.42%	
Strategic land banking	801.71	25.31%	2,152.36	27.05%	2,152.36	22.53%	
General corporate purposes	158.39	5.00%	397.84	5.00%	477.65	5.00%	

Total	3,167.91	100.00	7,956.80	100.00	9,553.09	100.00	

In the event that the net proceeds from the sale of Primary Offer Shares is less than the expected amount, the Company intends to allocate the proceeds in order of priority as follows:

1. Capital expenditures for new and on-going projects
2. Payment of short-term lines
3. Strategic land banking
4. General corporate purposes

Capital expenditures for new and on-going projects

The Company has several new and on-going projects scattered all over the country and SLI will allocate the following amounts to partially finance the developments for these new projects and identified on-going projects presented in the following tables below:

- Estimated Amounts at ₱2.38/share:

Project	1.0B shares	2.5B shares without Over-subscription	2.5B shares with Over-subscription	POC	Estimated Completion Date	Estimated Schedule of Disbursement
	(₱ millions)	(₱ millions)	(₱ millions)			
New Tanay Project	146.21	212.09	312.83	-	2023	4th Quarter 2021 to 2022
New South Cotabato Project	131.76	191.13	281.91	-	2023	4th Quarter 2021 to 2022
The Groove Iloilo	125.97	182.73	269.51	-	2023	4th Quarter 2021 to 2022
La Pacifica Baler	120.41	174.66	257.61	-	2023	4th Quarter 2021 to 2022
Nasacosta Peaks Tower 1	118.06	171.25	252.58	-	2022	4th Quarter 2021 to 2022
Nasacosta Peaks Tower 2	118.06	171.25	252.58	-	2023	4th Quarter 2021 to 2022
Sta. Lucia Residenze - Madrid	117.25	170.09	250.87	30.00%	2022	4th Quarter 2021 to 2022
Catalina Lake Residences Orion	112.99	163.89	241.73	-	2023	4th Quarter 2021 to 2022
New GenSan Project	59.73	86.65	127.80	-	2023	4th Quarter 2021 to 2022
Nottingham Metrosouth	62.99	91.36	134.76	49.26%	2023	4th Quarter 2021 to 2022
New Dumaguete Project	34.39	49.89	73.58	-	2023	4th Quarter 2021 to 2022
Solana Light Industrial Estates	28.96	42.00	61.95	19.00%	2022	4th Quarter 2021 to 2022
New Siargao Project	16.07	23.31	34.38	-	2023	4th Quarter 2021 to 2022
Sotogrande Baguio (1&2)	97.50	141.43	208.60	30.49%	2022	4th Quarter 2021 to 2022
Nivel Hills Cebu	85.85	124.53	183.67	10.00%	2022	4th Quarter 2021 to 2022

Ponte Verde Mall	61.26	88.87	131.08	40.00%	2023	4th Quarter 2021 to 2022
Centro Verde Calamba	22.23	32.24	47.55	49.01%	2023	4th Quarter 2021 to 2022
Ponte Verde Pililia	21.86	31.71	46.77	24.04%	2023	4th Quarter 2021 to 2022
Greenpeak Heights Palawan Ph. 2	20.87	30.28	44.66	11.33%	2023	4th Quarter 2021 to 2022
Ponte Verde Matanao Ph. 1	12.54	18.19	26.83	26.00%	2023	4th Quarter 2021 to 2022
Evergreen - Sunnyvale	11.91	17.28	25.49	12.00%	2022	4th Quarter 2021 to 2022
Golden Meadows Palawan	11.90	17.26	25.45	8.52%	2023	4th Quarter 2021 to 2022
El Sitio Nativo	10.97	15.91	23.46	19.52%	2023	4th Quarter 2021 to 2022
Evergreen - Montebello	10.94	15.87	23.40	54.00%	2022	4th Quarter 2021 to 2022
Beverly Place Pampanga Ph 10C	6.97	10.12	14.92	45.22%	2022	4th Quarter 2021 to 2022
Evergreen - Monterey	6.37	9.24	13.63	46.00%	2022	4th Quarter 2021 to 2022
Beverly Place Pampanga Ph 10D	5.11	7.42	10.94	45.23%	2022	4th Quarter 2021 to 2022
Evergreen - Costa Mesa	3.96	5.75	8.48	43.00%	2022	4th Quarter 2021 to 2022
Evergreen - Altezza	3.76	5.45	8.04	14.00%	2022	4th Quarter 2021 to 2022
Beverly Place Pampanga Ph 6E1	3.60	5.22	7.72	49.79%	2022	4th Quarter 2021 to 2022
Total	**1,590.45**	**2,307.07**	**3,402.78**			

- Estimated Amounts at ₱3.29/share:

Project	1.0B shares (₱ millions)	2.5B shares without Over-subscription (₱ millions)	2.5B shares with Over-subscription (₱ millions)	POC	Estimated Completion Date	Estimated Schedule of Disbursement
New Tanay Project	202.97	405.50	544.92	-	2023	4th Quarter 2021 to 2022
New South Cotabato Project	182.91	365.43	491.06	-	2023	4th Quarter 2021 to 2022
The Groove Iloilo	174.87	349.36	469.47	-	2023	4th Quarter 2021 to 2022
La Pacifica Baler	167.15	333.93	448.74	-	2023	4th Quarter 2021 to 2022
Nasacosta Peaks Tower 1	163.88	327.41	439.98	-	2022	4th Quarter 2021 to 2022
Nasacosta Peaks Tower 2	163.88	327.41	439.98	-	2023	4th Quarter 2021 to 2022
Sta. Lucia Residenze - Madrid	162.77	325.19	436.99	30.00%	2022	4th Quarter 2021 to 2022

Catalina Lake Residences Orion	156.84	313.35	421.08	-	2023	4th Quarter 2021 to 2022
New GenSan Project	82.92	165.66	222.61	-	2023	4th Quarter 2021 to 2022
Nottingham Metrosouth	87.43	174.68	234.74	49.26%	2023	4th Quarter 2021 to 2022
New Dumaguete Project	47.74	95.38	128.17	-	2023	4th Quarter 2021 to 2022
Solana Light Industrial Estates	40.20	80.31	107.92	19.00%	2022	4th Quarter 2021 to 2022
New Siargao Project	22.30	44.56	59.88	-	2023	4th Quarter 2021 to 2022
Sotogrande Baguio (1&2)	135.34	270.40	363.36	30.49%	2022	4th Quarter 2021 to 2022
Nivel Hills Cebu	119.17	238.09	319.95	10.00%	2022	4th Quarter 2021 to 2022
Ponte Verde Mall	85.05	169.91	228.32	40.00%	2023	4th Quarter 2021 to 2022
Centro Verde Calamba	30.85	61.64	82.83	49.01%	2023	4th Quarter 2021 to 2022
Ponte Verde Pililia	30.34	60.62	81.46	24.04%	2023	4th Quarter 2021 to 2022
Greenpeak Heights Palawan Ph. 2	28.98	57.89	77.80	11.22%	2023	4th Quarter 2021 to 2022
Ponte Verde Matanao Ph. 1	17.41	34.78	46.73	26.00%	2023	4th Quarter 2021 to 2022
Evergreen - Sunnyvale	16.54	33.04	44.40	12.00%	2022	4th Quarter 2021 to 2022
Golden Meadows Palawan	16.52	33.00	44.34	8.52%	2023	4th Quarter 2021 to 2022
El Sitio Nativo	15.22	30.41	40.87	19.52%	2023	4th Quarter 2021 to 2022
Evergreen - Montebello	15.18	30.33	40.76	54.00%	2022	4th Quarter 2021 to 2022
Beverly Place Pampanga Ph 10C	9.68	19.34	25.99	45.22%	2022	4th Quarter 2021 to 2022
Evergreen - Monterey	8.84	17.67	23.75	46.00%	2022	4th Quarter 2021 to 2022
Beverly Place Pampanga Ph 10D	7.10	14.18	19.06	45.23%	2022	4th Quarter 2021 to 2022
Evergreen - Costa Mesa	5.50	11.00	14.78	43.00%	2022	4th Quarter 2021 to 2022
Evergreen - Altezza	5.22	10.42	14.01	14.00%	2022	4th Quarter 2021 to 2022
Beverly Place Pampanga Ph 6E1	5.01	10.01	13.43	49.79%	2022	4th Quarter 2021 to 2022
Total	**2,207.81**	**4,410.90**	**5,927.38**			

The Company intends to allot the above net proceeds to partially finance the developments its new projects and identified on-going projects. The balance of the development costs needed for the completion of the projects are expected to be funded by internally generated cashflow from operations of the Company.

Payment of Short-Term Lines

Up to Php995.70 million of the net proceeds shall be used by the Company to settle its existing short-term lines as detailed on the table below. As of June 30, 2021, the Company's outstanding short-term lines amounted to Php7,561.77 million from various major local banks which carries interest rates from 3.5% to 5.79% per annum. Below is an enumeration of the short-term lines that will be paid using a portion of the net proceeds:

Creditor	1.0B shares (₱ millions)	2.5B shares without Over-subscription (₱millions)	2.5B shares with Over-subscription (₱millions)	Date of Promissory Notes	Maturity Date	Interest Rate
Bank of Commerce	-	100.00	100.00	September 23, 2021	December 22, 2021	5.250%
Bank of Commerce	-	150.00	150.00	September 10, 2021	December 9, 2021	5.250%
BDO Unibank, Inc.	-	360.00	360.00	June 5, 2021	March 4, 2022	5.000%
Various RCBC Trust and Investments Group Trust Accounts	-	385.70	385.70	May 25, 2021	November 18, 2021	3.875%
Total	**-**	**995.70**	**995.70**			

These loans were used for working capital and development of the Company's projects. None of these loans were secured for purposes of funding a specific project of the Company.

No amount of the net proceeds shall be used by the Company to settle its existing short-term lines with China Banking Corporation, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner's parent company.

Strategic land banking

Aligned with the Company's growth objectives, SLI continues to pursue real estate deals which can be developed into future residential and commercial projects. The Company's strategy for development is to focus on provincial areas that are largely ignored and under-served by its bigger competitors whose projects have, until recently, been concentrated in Metro Manila which is already congested and near saturation. SLI is present in 11 regions across the country. The Company believes that sustained growth will come from the provinces and major cities outside of Metro Manila and have therefore prioritized establishing its presence there. The Company believes that its expertise and knowledge in these areas will prove significant as it continues to expand its property footprint in these largely under-served areas.

While the joint venture business model has allowed the Company to rapidly expand its geographic reach, strategic land banking will allow it to achieve its goals more efficiently. Acquiring lands will allow the Company to effectively reduce its reliance on joint venture partners whose interests may not be always be aligned with the Company's and who may take actions that may adversely affect the Company.

In this light, having readily available funds provides the Company with flexibility and faster turnaround time in negotiating for the acquisition of strategic locations. SLI will allocate ₱2,152.36 million from the proceeds of the Offer for this purpose.

The Company has undertaken preliminary activities and has targeted the following areas:

Region	Location	1.0B shares at ₱2.38/ share	1.0B shares at ₱3.29/ share	2.5B shares with or without Over-subscription	Development	Timeline
Region 11	Sta. Cruz, Davao Del Sur	507.52	704.51	1,891.43	Horizontal Development	4th Quarter 2021 to 2022
Region 4A	Lipa, Batangas	47.58	66.05	177.32	Horizontal Development	4th Quarter 2021 to 2022
Region 4A	San Roque, Pililla, Rizal	15.94	22.13	59.42	Horizontal Development	4th Quarter 2021 to 2022
Region 4A	Halayhayin, Pililia, Rizal	6.49	9.02	24.20	Horizontal Development	4th Quarter 2021 to 2022
	Total	**577.53**	**801.71**	**2,152.36**		

As of the date of this Prospectus, no definitive agreements have been executed with respect to these acquisitions. Negotiations are being undertaken for the identified areas and the Company, upon satisfactory result of its due diligence, will proceed with the intended acquisitions. Should the terms and conditions of the acquisitions turn out to be unfavorable for the Company or the allotted funds be more than the final purchase price, the Company will consider other prospective sites in the same regions.

General corporate purposes

The balance of the proceeds shall be used for general corporate purposes, including but not limited to working capital requirements, corporate office overhead, administrative expenses and other costs shouldered by Company in the course of normal business operations not specifically related to any single project. The proceeds for general corporate purposes will not be used for any of the Company's on-going projects.

The proposed use of proceeds described above represents a best estimate of the use of the net proceeds of the Offer based on the Company's current plans and expenditures. The actual amount and timing of disbursement of the net proceeds from the Offer for the use stated above will depend on various factors. Once the Company receives the net proceeds from the Offer, it shall apply the same for the purposes discussed above, but to the extent that such net proceeds from the Offer are not immediately applied to the above purposes, the Company will invest the net proceeds in interest-bearing short term demand deposits and/or money market instruments.

The Company does not plan to use any portion of the proceeds to discharge nor to reimburse any of its officers, directors or employees or shareholders for services rendered, asset previously transferred, or money loaned or advanced. None of the proceeds from the Offer will be used to finance the acquisition of other businesses or acquisition of assets from affiliates or associates, other than disclosed. Aside from underwriting fees, no amount of the net proceeds shall inure to the benefit of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner and its parent company.

In the event of any material deviation or adjustment in the planned use of proceeds, the Company shall inform its shareholders, the SEC and the PSE in writing at least 30 days before such deviation or adjustment is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Company's Board of Directors and disclosed to the SEC and the PSE. In addition, the Company shall submit via the PSE's Online Disclosure System, the PSE Electronic Disclosure Generation Technology ("PSE EDGE"), the following disclosure to ensure transparency in the use of proceeds:

(i) any disbursements made in connection with the planned use of proceeds from the Offer;

(ii) Quarterly Progress Report on the application of the proceeds from the Offer on or before the first 15 days of the following fiscal quarter certified by the Company's Chief Financial Officer or Treasurer and external auditor;

(iii) annual summary of the application of the proceeds on or before 31 January of the year following the Offer certified by the Company's Chief Financial Officer or Treasurer and external auditor; and

(iv) approval by the Company's Board of Directors of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual reports required in items (ii) and (iii) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation must state the approval of the Company's Board of Directors as required in item (iv) above. The Company will submit an external auditor's certification of the accuracy of the information reported by the Company to the PSE in its quarterly and annual reports.

DIVIDENDS AND DIVIDEND POLICY

LIMITATION AND REQUIREMENTS

Under Philippine law, a corporation can only declare dividends to the extent that it has Unrestricted Retained Earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC.

A corporation may pay dividends in cash, by distribution of property, or by issuance of shares. Stock dividends may only be declared and paid with the approval of shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose, and the approval by the Philippine SEC in case stock dividends will be issued upon increase of the corporation's authorized capital stock.

The Revised Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

In the Company's two Notes Facility Agreements entered on (i) April 17, 2017 and (ii) March 15, 2021 (collectively, "Facility Agreements"), it undertook not to declare dividends if it is in default under the Facility Agreements or, if as a result thereof, the Company would breach its financial covenants. The Facility Agreements require the Company to maintain (i) a current ratio of at least 1.00x under the April 17, 2017 Facility Agreement and 2.00x under the March 15, 2021 Facility Agreement; (ii) a debt-to-equity ratio of not more than 1.50x; and (iii) a debt service coverage ratio of at least 1.25x.

Record Date

Pursuant to existing Philippine SEC regulations, all cash dividends declared by listed companies must have a record date which shall not be less than 10 calendar days and not more than 30 calendar days from the date the cash dividends are declared. Under such rules, if no record date is specified, the record date will be deemed fixed at 15 calendar days from such declaration.

With respect to stock dividends, the record date shall not be less than 10 calendar days nor more than 30 calendar days from the date of shareholder approval. If no record date is set, under Philippine SEC rules, the record date will be deemed fixed at 15 calendar days from the date of the stock dividend declaration. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the SEC.

Under the Revised Disclosure Rules of the PSE, the disclosure by a listed company of the record date for dividend declarations must not be less than 10 trading days from said date. The rules of the PSE also provide that the payment date shall not be more than 18 trading days from the record date.

Dividend History and Policy

No cash dividends were declared for fiscal years 2018, 2019 and 2020.

The Company's current dividend policy provides for dividends of up to 25% of the prior fiscal year's net income after tax, subject to (i) the availability of Unrestricted Retained Earnings, (ii) implementation of business plans, (iii) contractual obligations, (iv) working capital requirements, and (v) the approval of the Board. There can be no guarantee that the Company will pay any dividends in the future. The declaration and payment of dividends is subject to compliance annually or as often as the Board of Directors may deem appropriate, in cash or in kind and/or in additional shares from its surplus profits. The ability of the Company to pay dividends will depend on its retained earnings level and financial condition. There is no assurance that the Company will pay dividends in the future.

None of the Subsidiaries have declared dividends in the last three years and none have any set dividend policy.

Sale of Unregistered or Exempt Securities

In the past three (3) years, the Company entered into the following transactions exempt from the registration requirements of the Securities and Regulation Code ("SRC"):

- On March 19, 2018, the Company issued seven-year Corporate Notes totaling ₱ 5.00 billion with the Lead Underwriter as the Sole Arranger and Bookrunner. The notes were sold to Primary Institutional Lenders not exceeding 19. The offer price was 100%. As the notes were offered exclusively to Primary Institutional Lenders in the Philippines, the transactions were considered exempt transactions pursuant to Section 10.1 of the SRC and Rule 10.1.4 of the IRRs, and no notice of exemption from the registration requirements under the SRC and IRRs is required to be filed with the SEC.

- On March 15, 2021, the Company issued three- and five- year Corporate Notes totaling ₱ 4.10 billion, consisting of:

    a. Tranche A Notes amounting to ₱ 1.80 billion and having a maturity of three (3) years from issue date;
    b. Tranche B Notes amounting to ₱ 2.30 billion and having a maturity of five (5) years from issue date.

  On March 30, 2021 and May 25, 2021, the Company issued ₱ 1.00 billion Tranche B Notes and ₱ 1.90 billion Tranche A Notes, respectively. RCBC Capital Corporation was the Lead Arranger and Sole Bookrunner. The offer price was 100%. As the notes were offered exclusively to Primary Institutional Lenders in the Philippines, the transactions were considered exempt transactions pursuant to Section 10.1 of the SRC and Rule 10.1.4 of the IRRs, and no notice of exemption from the registration requirements under the SRC and IRRs is required to be filed with the SEC.

Apart from the foregoing, there are no recent sales of unregistered or exempt securities.

DETERMINATION OF THE OFFER PRICE

The common shares are listed and traded on the Main Board of the PSE under the symbol "SLI." The Company will apply for the Offer Shares to be listed and traded on the PSE under the same symbol. For a description of the PSE, see "The Philippine Stock Market" on page [231].

The Offer Price has been set at ₱[•] per Offer Share. The Offer Price has been determined by the Company and the Lead Underwriter through a book-building process and not by reference to the historical trading price of the common shares. Investors should not rely on the historical market price of the common shares on the PSE as an indicator of the value of the common shares.

The factors considered in determining the Offer Price, among others, include the Company's ability to generate earnings and cash flow, its prospects, the level of demand from institutional investors, overall market conditions at the time of the launch and the market price of listed comparable companies. The Offer Price does not have any correlation to the actual book value of the Offer Shares.

CAPITALIZATION AND INDEBTEDNESS

The following table sets out the Company's consolidated debt, shareholders' equity and capitalization as of June 30, 2021, and as adjusted to reflect the sale at an assumed Offer Price of ₱2.38 to ₱3.29 per Offer Share of: (i) [1,000,000,000] Firm Shares; (ii) Up to [2,500,000,000] Firm Shares; and (iii) up to [500,000,000] Over-subscription Shares. The table should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto, included in this Prospectus. Other than as described below, there has been no material change in the Company's capitalization and indebtedness since June 30, 2021.

In ₱ millions	Actual as of June 30, 2021	As adjusted after giving effect to the Offer (1B Shares)	As adjusted after giving effect to the Offer (2.5B Shares)	As adjusted after giving effect to the Offer and the Over-subscription Option
		(unaudited) **₱2.38**		
Total debt(1)	23,116.5	23,116.5	23,116.5	23,116.5
Equity:				
Capital stock	10,796.5	11,796.5	13,296.5	13,796.5
Additional paid-in capital	330.0	1,636.6	3,624.2	4,286.7
Treasury shares	(1,640.0)	(1,640.0)	(1,640.0)	(1,640.0)
Equity reserve(2)	253.9	253.9	253.9	253.9
Retained earnings	9,285.4	9,285.4	9,285.4	9,285.4
Total equity	19,025.7	21,332.2	24,819.8	25,982.4
Total capitalization	42,142.2	44,448.7	47,936.4	49,098.9
		₱3.29		
Total debt(1)	23,116.5	23,116.5	23,116.5	23,116.5
Equity:				
Capital stock	10,796.5	11,796.5	13,296.5	13,796.5
Additional paid-in capital	330.0	2,528.4	5,853.9	6,962.3
Treasury shares	(1,640.0)	(1,640.0)	(1,640.0)	(1,640.0)
Equity reserve(2)	253.9	253.9	253.9	253.9
Retained earnings	9,285.4	9,285.4	9,285.4	9,285.4
Total equity	19,025.7	22,224.1	27,049 5	28,658.0
Total capitalization	42,142.2	45,340.6	50,166.0	51,774.5

(1) Loans payable (current and non-current).

(2) Includes unrealized gain on fair value of available-for-sale financial assets and remeasurement losses on pension liabilities.

DILUTION

The net book value attributable to the Company's shareholders, based on the Company's financial statements as at June 30, 2021, was ₱ [19.03 billion], while the net book value per common share was ₱ [2.32]. The net book value attributable to the Company's common shareholders represents the amount of the Company's total equity attributable to equity holders of the SLRDI. The Company's net book value per share is computed by dividing the net book value attributable to the Company's shareholders by the equivalent number of common shares outstanding. Without taking into account any other changes in such net book value after June 30, 2021 other than the sale of up to [3,000,000,000] Offer Shares at the Offer Price of up to ₱ [3.29] per Offer Share and after deduction of the underwriting discounts and commissions and estimated offering expenses of the Offer payable by the Company, the Company's pro forma net book value immediately following the completion of the Offer would increase to up to ₱ [9.55 billion], or ₱ [0.85] per common share. This represents an immediate increase in net book value of from ₱ [1.70] per common share to ₱ [2.55] per common share to existing shareholders, and an immediate dilution to purchasers of the Offer Shares at the Offer Price of up to ₱ [0.74] per Offer Share.

The following table illustrates dilution on a per share basis based on the Offer Price of ₱ [2.38] to ₱ [3.29] per Offer Share:

Offer: 1.0 billion shares	**Without Over-subscription**
Offer Price per Offer Share	[₱2.38]
Pro forma net book value per Common Share immediately following completion of the Offer	[2.32]
Dilution to purchasers of the Offer Shares..	[0.06]
Offer Price per Offer Share	[₱3.29]
Pro forma net book value per Common Share immediately following completion of the Offer	[2.41]
Dilution to purchasers of the Offer Shares..	[0.88]

Offer: 2.5 billion shares	**Without Over-subscription**	**With Over-subscription**
Offer Price per Offer Share	[₱2.38]	[₱2.38]
Pro forma net book value per Common Share immediately following completion of the Offer	[2.32]	[2.32]
Dilution to purchasers of the Offer Shares..	[0.06]	[0.06]
Offer Price per Offer Share	[₱3.29]	[₱3.29]
Pro forma net book value per Common Share immediately following completion of the Offer	[2.52]	[2.55]
Dilution to purchasers of the Offer Shares..	[0.77]	[0.74]

The following table sets forth the shareholdings and percentage of common shares outstanding of existing and new shareholders of the Company immediately after completion of the Firm Offer of [1,000,000,000] Firm Shares:

	Common Shares	
	Number	**%**
Existing shareholders...	8,196,450,000	89.13%
New investors...	[1,000,000,000]	10.87%
Total	9,196,450,000	100.00%

The following table sets forth the shareholdings and percentage of common shares outstanding of existing and new shareholders of the Company immediately after completion of the Firm Offer of [2,500,000,000] Firm Shares:

	Common Shares	
	Number	**%**
Existing shareholders...	8,196,450,000	76.63%
New investors...	[2,500,000,000]	23.37%
Total	10,696,450,000	100.00%

The following table sets forth the shareholdings and percentage of common shares outstanding of existing and new shareholders of the Company immediately after completion of the Offer of [3,000,000,000] Offer Shares (assuming full exercise of the Over-subscription Option):

	Common Shares	
	Number	**%**
Existing shareholders...	8,196,450,000	73.21%
New investors...	[3,000,000,000]	26.79%
Total	11,196,450,000	100.00%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's financial results should be read in conjunction with the independent auditors' reports and the Company's audited consolidated financial statements and notes and interim consolidated financial statements thereto contained in this Prospectus and the section entitled "Summary Financial and Operating Information" on page [29].

This discussion contains forward-looking statements and reflects the current views of the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" on page [32] and elsewhere in this Prospectus.

Period ended June 30, 2021 compared to period ended June 30, 2020

RESULTS OF OPERATIONS

Revenue

Sta. Lucia Land Inc. and Subsidiaries' (Group) net income grew by 90% or ₱681.32 million for the six-month period ending June 30, 2021. The Group was able to increase the real estate sales by 64% comparing to the same period last year. Its commercial operation also posted a 21% or ₱48.28 million increased during the period. With the experienced pandemic last year, the Group was able to implement measures to minimized its impact. Interest income, commission income and other income all increased by 123%, 1,049% and 70% or ₱103.93 million, ₱33.24 million and ₱84.14 million respectively.

Cost and Expense

The Group posted 34% or ₱855.18 million increase in total expenses for the six-month period ending June 30, 2021. The increase was primarily observed due to the opening of business operations as the government-imposed quarantine classifications are shifted to a less strict status. Cost of sales and cost of rental income increased by 191% and 12% or ₱657.93 million and ₱20.54 million respectively as real estate sales and rental income posted increase during the period. Selling, general and administrative expenses increased by 77% or ₱267.94 million.

Comprehensive Income

Total comprehensive income of the Group is reported at ₱1,549.85 million which is 130% higher comparing to the same period last year. The increase was primarily due to the experienced increase in the total revenue for the period ending June 30, 2021.

FINANCIAL CONDITION

Total Assets

Total assets reported by the Group grew from ₱45,785.80 million in December 31, 2020 to ₱54,359.14 million in June 30, 2021. The increase of 19% or ₱8,573.34 million was due to the experienced increase in recognized net income in the period as well as the success of the raising of a ₱7,000 million worth of corporate notes to support the expansion plan of the Group.

Total Liabilities

With a wide headroom for debt, the company maximized its access to the debt market by raising a ₱7,000 million worth of corporate notes. The proceeds were primarily used to pay out more expensive loans which was made to take advantage the decreasing interest rates due to the experienced pandemic. The raising of the ₱7,000 million worth of corporate notes primarily impacted the total liabilities which increased by 26% or ₱7,245.49 million during the period.

Key Performance Indicators

	June 30, 2021	December 31, 2020
Current Ratio	3.04	2.01
Debt to Equity	1.22	0.97
Interest Coverage Ratio	446.49%	341.52%
Return on Asset	2.65%	3.73%
Return on Equity	7.56%	9.65%

*This covers only the performance for the first half of 2021.
**Notes to Key Performance Indicator:

1. Current Ratio = current assets (*cash and cash equivalents, receivables, inventories, due from affiliates, prepaid commissions, and other current asset*) over current liabilities (*accounts payable, customer deposit, current portion of bank loans and income tax payables*).
2. Debt to Equity = Total debt over shareholder's equity.
3. Interest Coverage Ratio= Income before Income Tax and Interest Expense over Interest Expense
4. Return on Asset = Net Income over Total Assets
5. Return on Equity = Net Income over shareholder's equity.

Material Changes in the Balance Sheet (+/- 5%) as of June 30, 2021 versus the Balance Sheet as of December 31, 2020

	HORIZONTAL ANALYSIS				VERTICAL ANALYSIS		
In P millions	**June 30, 2021**	**December 31, 2020**	**₱ Change**	**% Change**	**June 30, 2021**	**December 31, 2020**	**% Change**
ASSETS							
Current Assets							
Cash and cash equivalents	6,202.5	942.8	5,259.7	557.9%	11.0%	2.0%	9.0%
Receivables	3,507.5	3,494.6	12.9	0.4%	6.0%	8.0%	-2.0%
Contract assets	1,094.6	1,880.4	-785.8	-41.8%	2.0%	4.0%	-2.0%

Real estate inventories	26,735.7	24,931.1	1,804.6	7.2%	49.0%	54.0%	-5.0%
Other current assets	6,374.9	5,401.0	973.9	18.0%	12.0%	12.0%	0.0%
Total Current Assets	43,915.2	36,649.9	7,265.3	19.8%	81.0%	80.0%	1.0%
Noncurrent Assets							
Installment contracts receivables – net of current receivables	1,958.3	1,014.1	944.2	93.1%	4.0%	2.0%	2.0%
Contract assets - net of current portion	1,812.3	967.5	844.8	87.3%	3.0%	2.0%	1.0%
Investment properties	5,831.0	5,712.4	118.6	2.1%	11.0%	12.0%	-1.0%
Property and equipment	54.4	54.9	-0.5	-0.9%	0.0%	0.0%	0.0%
Financial assets at fair value through other comprehensive income (FVOCI)	710.4	821.4	-111.0	-13.5%	1.0%	2.0%	-1.0%
Pension asset	0.3	0.3	0.0	9.5%	0.0%	0.0%	0.0%
Other noncurrent assets	77.2	565.3	-488.1	-86.3%	0.0%	1.0%	-1.0%
Total Noncurrent Assets	10,443.9	9,135.9	1,308.0	14.3%	19.0%	20.0%	-1.0%
TOTAL ASSETS	54,359.1	45,785.8	8,573.3	18.7%	100.0%	100.0%	
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts and other payables	6,350.4	5,407.8	942.6	17.4%	12.0%	12.0%	0.0%
Short-term debt	1,766.7	6,149.0	-4,382.3	-71.3%	3.0%	13.0%	-10.0%
Contract liabilities	3,600.3	3,591.7	8.6	0.2%	7.0%	8.0%	-1.0%
Long-term debt - current portion	2,720.3	3,027.5	-307.2	-10.1%	5.0%	7.0%	-2.0%
Income tax payable	21.7	87.3	-65.6	-75.1%	0.0%	0.0%	0.0%
Total Current Liabilities	14,459.5	18,263.3	-3,803.8	-20.8%	27.0%	40.0%	-13.0%
Noncurrent Liabilities							
Long-term debt – net of current portion	18,629.4	8,002.3	10,627.1	132.8%	34.0%	17.0%	17.0%
Contract liabilities - net of current portion	617.0	379.5	237.5	62.6%	1.0%	1.0%	0.0%
Deferred tax liabilities - net	1,627.6	1,442.9	184.7	12.8%	3.0%	3.0%	0.0%
Total Noncurrent Liabilities	20,874.0	9,824.7	11,049.3	112.5%	38.0%	21.0%	17.0%
Total Liabilities	35,333.5	28,088.0	7,245.5	25.8%	65.0%	61.0%	4.0%
Equity							
Capital Stock	10,796.5	10,796.5	0.0	0.0%	20.0%	24.0%	-4.0%
Additional paid-in capital	330.0	330.0	0.0	0.0%	1.0%	1.0%	0.0%
Retained earnings	9,285.4	7,846.5	1,438.9	18.3%	17.0%	17.0%	0.0%
Net unrealized gain on fair value of financial assets at FVOCI	253.7	364.7	-111.0	-30.4%	0.0%	1.0%	-1.0%
Remeasurement gain on pension – net of tax	0.2	0.2	0.0	-18.8%	0.0%	0.0%	0.0%
Treasury shares	-1,640.0	-1,640.0	0.0	0.0%	-3.0%	-4.0%	1.0%
Total Equity	19,025.7	17,697.8	1,327.9	7.5%	35.0%	39.0%	-4.0%
TOTAL LIABILITIES AND EQUITY	54,359.1	45,785.8	8,573.3	18.7%	100.0%	100.0%	

558% increase in cash and cash equivalents

The significant increase in cash was primarily attributable to the raising of a ₱7,000 million Corporate Notes during the first half of 2021.

42% decrease in current contract assets
Decrease in the current contract asset was result of more projects being completed during the period. Comparing the same period last year, project development activities were limited due to the imposed quarantine classifications to the various location where the Group's project are situated.

7% increase in real estate inventory
As quarantine classification were loosen during the period, a little to no disruption was experienced with the project development activities which contributed to the increase in the real estate inventory balance for the first half of 2021.

18% increase in other current assets
This consists of increased advances made to contractors by the Group to boost its project developments and project development mobilization for its expansion throughout the country.

93% increase in non-current installment contract receivables
Majority of the real estate sales for first half of 2021 are from buyers preferring installment term as mode of payments for their purchase as evidenced by the increase in installment contract receivables.

87% increase in non-current contract assets
Increase was primarily due to the increase in real estate sales from customer for the new projects launches during the period.

14% decrease in financial assets at fair value through other comprehensive income
Decrease was due to the movement of market values of quoted investment securities of Phil Racing Inc. and Manila Jockey Club Inc.

86% decrease in other noncurrent assets
Decrease was due to payments advances made to contractors to develop raw lands purchased in the previous year and are falling due within the 12 month of current reporting period.

17% increase in accounts and other payables
Primarily due to the procurement of raw land to be used in project developments under installment payment schemes and billings from contractors that is not due for payment.

71% decrease in short term debts
Majority of the Group's short-term debts with more expensive interest rates were settled to take advantage with the lower interest rates during the period.

75% decrease in income tax payable
The decrease in income tax payable was due to the implementation of CREATE law, lowering the corporate income tax rate to 25%.

10% decrease in current portion long-term debt

The decrease was primarily due to the settlement of the ₱2,000 million bonds payable due during the first quarter of 2021 and other principal due for the first half of 2021.

133% increase in long-term debt
The settlement of the ₱7,000 million bonds payable was made through a new Credit Notes Facility. The facility amounts to a total of ₱7,000 million of which ₱7,000 million was already drawn in the during the first half of 2021.

63% increase in noncurrent contract liabilities
Increase in real estate sales during the period has significantly affected the contract liabilities during the period.

13% increase in deferred tax liabilities
Increase was due to the changes in the accounts impacting temporary differences in the computation of tax liabilities of the Group.

18% increase in retained earnings
Increase in retained earnings is primarily attributable to the net income recognized during the period.

30% decrease in unrealized fair market value of AFS
Decrease was due to the decrease in market price of investment securities in Philippine Racing Inc. and Manila Jockey Club Inc.

Material Changes in the Income Statement (+/-5%) for the Six-Month Period Ended June 30, 2021 versus the Income Statement for the Six-Month Period Ended June 30, 2020

In ₱ millions, except per share figures	HORIZONTAL ANALYSIS				VERTICAL ANALYSIS		
	Six Months Ended June 30		₱ Change	% Change	Six Months Ended June 30		% Change
	2021	2020			2021	2020	
REVENUE							
Real estate sales	3,261.3	1,994.6	1,266.6	63.5%	82.0%	82.0%	0.0%
Rental income	273.4	225.2	48.3	21.4%	7.0%	9.0%	-2.0%
Commission income	188.7	84.7	103.9	122.6%	5.0%	3.0%	2.0%
Interest income	36.4	3.2	33.2	1048.8%	1.0%	0.0%	1.0%
Dividend income	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.0%
Others	205.3	120.8	84.4	69.9%	5.0%	5.0%	0.0%
	3,965.0	1,994.6	1,266.6	63.5%	100.0%	100.0%	0.0%
COSTS AND EXPENSES							
Cost of real estate sales	1,002.8	344.9	657.9	190.8%	25.0%	19.0%	6.0%
Cost of rental income	193.3	172.8	20.5	11.9%	5.0%	9.0%	-4.0%
	1,196.1	517.7	678.5	0.0%	30.0%	28.0%	2.0%
Commissions	356.6	186.9	169.7	90.8%	9.0%	10.0%	-1.0%
Representation	20.4	25.3	-4.9	-19.3%	1.0%	1.0%	0.0%
Taxes, licenses and fees	94.5	38.2	56.3	147.5%	2.0%	2.0%	0.0%

Salaries and wages and other benefits	33.0	25.1	7.9	31.3%	1.0%	1.0%	0.0%
Advertising	21.2	25.1	-3.9	-15.5%	1.0%	1.0%	0.0%
Repairs and maintenance	15.9	3.5	12.4	350.7%	0.0%	0.0%	0.0%
Utilities	4.6	2.2	2.4	108.2%	0.0%	0.0%	0.0%
Professional fees	17.6	16.4	1.3	7.8%	0.0%	1.0%	-1.0%
Depreciation and amortization	8.1	8.4	-0.2	-2.7%	0.0%	0.0%	0.0%
Expected credit loss	5.3	0.0	5.3	0.0%	0.0%	0.0%	0.0%
Transportation, travel, office supplies and miscellaneous	40.5	18.8	21.7	115.7%	1.0%	1.0%	0.0%
	3,010.1	1,385.2	1,624.9	117.3%	76.0%	75.0%	1.0%
INTEREST EXPENSE	481.8	478.8	3.0	0.6%	12.0%	26.0%	-14.0%
INCOME BEFORE INCOME TAX	1,669.3	1,082.2	587.1	54.3%	42.0%	59.0%	-17.0%
PROVISION FOR INCOME TAX	230.5	324.7	-94.2	-29.0%	6.0%	18.0%	-12.0%
NET INCOME	1,438.9	757.5	681.3	89.9%	36.0%	41.0%	-5.0%
OTHER COMPREHENSIVE INCOME (LOSS)	111.0	-83.3	194.3	-233.3%	3.0%	-5.0%	8.0%
TOTAL COMPREHENSIVE INCOME	1,549.8	674.3	875.6	129.9%	39.0%	37.0%	2.0%
Basic/Diluted Earnings per Share	0.2	0.1	0.1	100.0%	0.0%	0.0%	0.0%

64% increase in real estate sales

The Group was able to increase its real estate sales through the efforts of its marketing arms as well as the deployments of its sales force with the curtailment of the quarantine protocols implemented by the Government.

21% increase in rental income

As the quarantine protocols were set to a lesser strict classification, commercial operations were opened up increasing the rental revenue for the first half of 2021.

123% increase in interest income

Significant increase in the recognized real estate sales directly affected the recognized interest income for the first half of 2021 as customers preferred installment payment scheme for their property purchased.

1,049% increase in commission income

As the Government had shift to a lesser strict quarantine classification, operation of the marketing companies was normalized, posting increased in real estate sales which directly affect the commission income of the Group.

70% increase in other income

Increase is a result of booking of surcharges / penalties from customer's default on payment, income from hotel operations and gains from repossession.

191% increase in cost of real estate sales

Cost of real estate sales posted significant increase for the first half of 2021 due to the noted robust increase in real estate sales during the period.

12% increase in cost of rental income
The shift to a lesser strict quarantine classification opened up the commercial operations. As effect, attributable cost of rental income also increases for the first half of 2021.

91% increase in commissions
Increase in recognized commission expense was directly proportional to the sales recognized during the period.

19% decrease in representation
Decrease in selling and administrative expenses was still brought about by the limitation of some operations as result of still imposed quarantine protocols by the Government.

148% increase in taxes and licenses
Increase brought about by the payments made in the processing of permits and licenses directly attributable project developments for the mobilization of the development activities during the first half of 2021.

31% increase salaries and wages and other benefits
Increase in salaries and wages and other benefits was primarily due to the release of the mid-year bonuses by the Group to its employees.

16% increase in advertising expense
Decrease in selling and administrative expenses was still brought about by the limitation of some operations as result of still imposed quarantine protocols by the Government.

8% increase in professional fees
Increase in professional fees was attributed to Group availing outside professional services to external parties which includes the valuation of existing properties and other related services for the business operations.

108% increase in utilities
Increase was due to higher consumption of power, water and other utilities during the period, attributed to the business operations of the Group.

351% increase in repairs and maintenance
The increased in recognized repairs and maintenance expense was due to the mobilization of project development activities and the periodic maintenance of the Group's assets.

116% increase in miscellaneous expenses
Increase was due to higher surcharges and penalties, insurance, legal, office supplies, software maintenance and transportation expenses incurred by the Group.

Year Ended December 31, 2020 compared to year ended December 31, 2019

RESULTS OF OPERATIONS

Overview of Operations

The Group started the year continuing the growth momentum in 2019 reporting higher revenues and net income. However, with the pandemic, it slowed down sales and halted commercial operations resulting in a contraction in the numbers initially projected and anticipated. With its yield management efforts to cope with the contraction, the Group had managed to sustain a net income margin of 25% for 2020.

Revenue

The pandemic significantly affected the real estate market sector. The total revenue of the Group was decreased by 12% or ₱957 million during the year. Government imposed restrictions in response to the pandemic has resulted to slowing down of operations thus decreasing the reservation sales and resulting to a 8% decline in real estate sales revenue amounting to ₱488 million in 2020. Interest income also posted a decline of ₱167 million in 2020. Retail operations were also severely hit as majority of establishments were closed or operating on limited capacity. Rental payments were also waived during the Enhanced Community Quarantine. Reduced foot traffic resulted to decrease in rental revenue of almost 40% or ₱364 million in 2020. Other income, which mostly consists of gains from repossession of inventory and penalties / surcharges increased by 21% or ₱61 million in 2020.

Cost and Expense

The temporary halt of the majority of the Group's operation from the community quarantine restrictions resulted to decrease in total recognized cost and expenses in 2020 amounting to ₱929 million or a 15% decrease from the total year expense of ₱6,074 million in 2019. Commission expense was down by 10% parallel with the lower real estate sales during the period. Selling and administrative expenses declined to ₱1,067 million or 15% lower than last year. Attributable cost for the commercial operations was also down by 33% as a result of the given limited retail operations.

Net Income

Considering the yield management efforts of the Group in anticipation of the impact of the COVID-19 pandemic to its performance, margins were sustained and the cost of operations was effectively managed despite the slowdown of the sales and decline in other sources of income. Net income was maintained at ₱1,708 million after tax in 2020.

PROJECT AND CAPITAL EXPENDITURES

The Group apportioned ₱ 5,211 million for project and capital expenditures as the Group seeks to capture the growing demand for real estate - a bold move from the Group to become the country's leading real estate company not in sheer size but in ways more meaningful quality projects, quality business plans, grow, returns and innovation. The amount is accounted for the continuous development of the Company's existing residential and commercial projects and finance newly developed projects. As part of its growth strategy, the Group acquired raw lands for new residential and condominium project developments amounting to ₱ 1,907 million for the year 2020.

FINANCIAL CONDITION

Assets

The Group's total assets stood strong at ₱ 45,786 million during the year. This represents a 13% increase from the 2019 balance of ₱ 40,352 million. Outstanding receivables increased by almost 48% as a result of the deferment of some collections due to the implemented extension of payment terms and the passing of the Bayanihan Act. Given the decline in real estate sales, the Group continued its project development activities that resulted to an increase in real estate inventory balance of 14% from the previous year amounting to ₱ 3,061 million. Real estate inventory balance amounted to ₱ 24,931 million in 2020.

Liabilities

As the Group strived to maintain a strong liquidity position amidst lower cash inflows from operations, it maximized its access to the debt markets for additional source of funding. Total liabilities for 2020 amounted to ₱ 28,088 million. This amount represents a 16% increase from the previous year's reported total liabilities of ₱ 24,238 million. Majority of the borrowings were availed through short term loans. As a result, short term debts grew by almost 75%, from ₱ 3,521 million in 2019 to ₱ 6,149 million in 2020. Accounts and other payables amounted to ₱ 5,408 million, increased by 13% from ₱4,784 million in 2019. Total contract liabilities arising from real estate sales grew by ₱ 514 million or 15% from 2019 reported amount. Deferred tax liabilities also increased by ₱ 488 million or 51%.

Equity

Total stockholders' equity increased by ₱ 1,584 million in 2020 generated from the net income during the year amounting to ₱ 1,708 million. Financial assets measured at fair through other comprehensive income decrease by ₱ 124 million.

Key Performance Indicators

	31-Dec-20	31-Dec-19
Current Ratio	2.01	2.65
Debt to Equity	0.97	0.93
Interest Coverage Ratio	341.52%	374.35%
Return on Asset	3.73%	4.30%
Return on Equity	9.65%	10.77%

*Notes to Key Performance Indicators:

1. Current Ratio = current assets (*cash and cash equivalents, receivables, inventories, due from affiliates, prepaid commissions, and other current asset*) over current liabilities (*accounts payable, customer deposit, current portion of bank loans and income tax payable*).

2. Debt to Equity = Total debt over shareholder's equity.
3. Interest Coverage Ratio = Income before income tax over Interest expense.
4. Return on Asset = Net Income over Total Assets.
5. Return on Equity = Net Income over shareholder's equity.

There are no events that will trigger any direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships between the Company and unconsolidated entities were created during 2020.

Material Changes in the Balance Sheet (+/- 5%) as of December 31, 2020 versus the Balance Sheet as of December 31, 2019

	HORIZONTAL ANALYSIS				VERTICAL ANALYSIS		
In P millions	**December 31, 2020**	**December 31, 2019**	**₱ Change**	**% Change**	**December 31, 2020**	**December 31, 2019**	**% Change**
ASSETS							
Current Assets							
Cash and cash equivalents	942.8	903.4	39.4	4.4%	2.0%	2.0%	0.0%
Receivables	3,494.6	2,368.90	1,125.7	47.5%	8.0%	6.0%	2.0%
Contract assets	1,880.4	1,618.90	261.5	16.2%	4.0%	4.0%	0.0%
Real estate inventories	24,931.1	21,870.10	3,061.0	14.0%	54.0%	54.0%	0.0%
Other current assets	5,401.0	4,715.70	685.3	14.5%	12.0%	12.0%	0.0%
Total Current Assets	36,649.9	31,476.90	5,173.0	16.4%	80.0%	78.0%	2.0%
Noncurrent Assets							
Installment contracts receivables – net of current portion	1,014.1	547.2	466.9	85.3%	2.0%	1.0%	1.0%
Contract assets - net of current portion	967.5	1,241.60	-274.1	-22.1%	2.0%	3.0%	-1.0%
Investment properties	5,712.4	5,597.40	115.0	2.1%	12.0%	14.0%	-2.0%
Property and equipment	54.9	58.9	-4.0	-6.8%	0.0%	0.0%	0.0%
Financial assets at fair value through other comprehensive income (FVOCI)	821.4	948.2	-126.8	-13.4%	2.0%	2.0%	0.0%
Pension asset	0.3	–	0.3	–	0.0%	0.0%	0.0%
Other noncurrent assets	565.3	482.1	83.2	17.3%	1.0%	1.0%	0.0%
Total Noncurrent Assets	9,135.9	8,875.40	260.5	2.9%	20.0%	22.0%	-2.0%
TOTAL ASSETS	45,785.8	40,352.30	5,433.5	13.5%	100.0%	100.0%	
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts and other payables	5,407.8	4,784.20	623.6	13.0%	12.0%	12.0%	0.0%
Short-term debt	6,149.0	3,521.20	2,627.8	74.6%	13.0%	9.0%	4.0%
Contract liabilities	3,591.7	3,039.20	552.5	18.2%	8.0%	8.0%	0.0%
Long-term debt - current portion	3,027.5	467	2,560.5	548.3%	7.0%	1.0%	6.0%
Income tax payable	87.3	49.6	37.7	76.0%	0.0%	0.0%	0.0%

Total Current Liabilities	18,263.3	11,861.20	6,402.1	54.0%	40.0%	29.0%	11.0%
Noncurrent Liabilities							
Long-term debt – net of current portion	8,002.3	10,998.00	-2,995.7	-27.2%	17.0%	27.0%	-10.0%
Contract liabilities - net of current portion	379.5	418.4	-38.9	-9.3%	1.0%	1.0%	0.0%
Pension liabilities	–	6.02	-6.02	-100.0%	0.0%	0.0%	0.0%
Deferred tax liabilities - net	1,442.9	954.6	488.3	51.2%	3.0%	2.0%	1.0%
Total Noncurrent Liabilities	9,824.7	12,377.10	-2,552.4	-20.6%	21.0%	31.0%	-10.0%
Total Liabilities	28,088.0	24,238.30	3,849.7	15.9%	61.0%	60.0%	1.0%
Equity							
Capital Stock	10,796.5	10,796.50	0.0	0.0%	24.0%	27.0%	-3.0%
Additional paid-in capital	330.0	330	0.0	0.0%	1.0%	1.0%	0.0%
Retained earnings	7,846.5	6,138.60	1,707.9	27.8%	17.0%	15.0%	2.0%
Net unrealized gain on fair value of financial assets at FVOCI	364.7	491.4	-126.7	-25.8%	1.0%	1.0%	0.0%
Remeasurement gains (losses) on pension – net of tax	0.2	-2.4	2.6	-108.3%	0.0%	0.0%	0.0%
Treasury shares	-1,640.0	-1,640.0	0.0	0.0%	-4.0%	-4.0%	0.0%
Total Equity	17,697.8	16,114.0	1,583.8	9.8%	39.0%	40.0%	-1.0%
TOTAL LIABILITIES AND EQUITY	45,785.8	40,352.3	5,433.5	13.5%	100.0%	100.0%	

48% increase in receivables

The increase in receivables is primarily attributable to the deferment of some collection due to the implemented extension of payment terms and the passing of the Bayanihan Act.

16% increase in current portion of contract assets

Majority of the real estate sales for 2020 are from buyers preferring installment term as mode of payments for their purchase. This has resulted to an increase in contract assets reported during the year.

14% increase in real estate inventories

Despite the temporary halt of majority of the operations of the Group, it continued its project development activities resulting to increase in real estate inventories for 2020.

15% increase in other current assets

This consists of increased advances made to contractors and marketing arms contracted by the Group to boost its project developments and sale of its property.

85% increase in noncurrent portion of installment contract receivables

The increase in this receivable is primarily attributable to the deferment of some collection due to the implemented extension of payment terms and the passing of the Bayanihan Act.

22% decrease in noncurrent portion of contract assets

Majority of the reported noncurrent portion of contract assets arising from real estate sales are reclassified to current contract assets as these items fall due within 12 months.

7% decrease in property and equipment
As the Group has experienced a temporary halt and slow down of operations during 2020, there were lesser assets acquired in 2020 as compared to the previous year to support its operations.

13% decrease in financial assets at fair value through other comprehensive income
With the effect of pandemic, the fair value of most investments declined in 2020. The fair market value of financial assets held by the Group decreased in 2020.

17% increase in other noncurrent assets
As project development activities were continued despite the halt and slow down of other operating activities of Group, increase in the amount of advances made to contractors was posted during the year.

75% increase in short term debts
As the Group strived to maintain a strong liquidity position amidst lower cash inflows from operations, it maximized its access to the debt markets for additional source of funding, increasing its short term borrowings by 75% in 2020.

13% increase in accounts and other payables
The increase is primarily due to the procurement of raw land to be used in project developments under installment payment schemes and billings from contractors that are not due for payment.

76% increase in income tax payable
The increase is directly related to the recognized revenue for year 2020.

18% increase in contract liabilities - current
This is attributable to the increase in reservation fees and collection of down payments from sale of real estate lots in 2020.

548% increase in long term debts - current portion
The increase is primarily attributable to the ₱ 2 billion bonds payables falling due in March 2021, as well as some portion of the principal of the outstanding corporate notes of the Group.

27% decrease in long term debts - noncurrent portion
The decrease is primarily attributable to the ₱ 2 billion bonds payables falling due in March 2021, as well as some portion of the principal of the outstanding corporate notes of the Group.

9% increase in contract liabilities – noncurrent
This is attributable to the increase in reservation fees and collection of down payments from sale of real estate lots in 2020.

100% decrease in pension liabilities
This is a result of changes in estimates for retirement liability as valued by the independent actuary. The Group had made excess contributions that increased the recognition of pension assets.

51% increase in deferred tax liabilities-net
This is mainly attributable to the timing differences of revenue recognition of real estate transactions and others for tax purposes versus accounting purposes.

28% increase in retained earnings
This is mainly attributable to the recognized net income during the period.

26% decrease in unrealized gain on fair value of available-for-sale financial assets
The decrease is due to the decline in market price of investment securities in Philippine Racing Inc. and Manila Jockey Club Inc.

107% increase in unrealized gain on pension liabilities
This is a result of changes in estimates for retirement liability as valued by an independent actuary.

Material Changes in the Income Statement (+/- 5%) for the year ended December 31, 2020 versus the Income Statement for the year ended December 31, 2019

	HORIZONTAL ANALYSIS				VERTICAL ANALYSIS		
In ₱ millions, except per share figures	**December 31, 2020**	**December 31, 2019**	**₱ Change**	**% Change**	**December 31, 2020**	**December 31, 2019**	**% Change**
REVENUE							
Real estate sales	5,383.1	5,871.5	-488.4	-8.3%	79.0%	75.0%	4.0%
Rental income	534.7	898.3	-363.6	-40.5%	8.0%	12.0%	-4.0%
Commission income	91.5	93.6	-2.1	-2.2%	1.0%	1.0%	0.0%
Interest income	479.8	647.0	-167.2	-25.8%	7.0%	8.0%	-1.0%
Dividend income	9.2	5.7	3.5	62.0%	0.0%	0.0%	0.0%
Others	354.8	294.2	60.6	20.6%	5.0%	4.0%	1.0%
	6,853.1	7,810.3	-957.2	-12.3%	100.0%	100.0%	
COSTS AND EXPENSES							
Cost of real estate sales	2,025.3	2,680.8	-655.5	-24.5%	30.0%	34.0%	-4.0%
Cost of rental income	368.4	550.2	-181.8	-33.0%	5.0%	7.0%	-2.0%
	2,393.6	3,231.0	-837.4	-25.9%	35.0%	41.0%	-6.0%
Commissions	622.0	687.8	-65.8	-9.6%	9.0%	9.0%	0.0%
Representation	49.0	71.1	-22.1	-31.1%	1.0%	1.0%	0.0%
Taxes, licenses and fees	99.4	100.1	-0.7	-0.7%	1.0%	1.0%	0.0%
Salaries and wages and other benefits	85.0	82.5	2.5	3.0%	1.0%	1.0%	0.0%
Advertising	68.7	107.9	-39.2	-36.3%	1.0%	1.0%	0.0%
Repairs and maintenance	41.1	63.0	-21.9	-34.8%	1.0%	1.0%	0.0%
Utilities	6.9	14.9	-8.0	-53.7%	0.0%	0.0%	0.0%
Professional fees	16.4	42.8	-26.4	-61.7%	0.0%	1.0%	-1.0%
Depreciation and amortization	21.7	23.1	-1.4	-6.1%	0.0%	0.0%	0.0%
Expected credit loss	1.4	1.1	0.3	27.3%	0.0%	0.0%	0.0%
Transportation, travel, office supplies and miscellaneous	55.6	68.3	-12.7	-18.6%	1.0%	1.0%	0.0%
	1,067.2	1,262.5	-195.3	-15.5%	16.0%	16.0%	0.0%

INTEREST EXPENSE	993.3	886.0	107.3	12.1%	14.0%	11.0%	3.0%
INCOME BEFORE INCOME TAX	2,399.0	2,430.8	-31.8	-1.3%	35.0%	31.0%	4.0%
PROVISION FOR INCOME TAX	691.1	694.6	-3.5	-0.5%	10.0%	9.0%	1.0%
NET INCOME	1,707.9	1,736.2	-28.3	-1.6%	25.0%	22.0%	3.0%

8% decrease in real estate sales
Due to the effects of the COVID-19 pandemic, the Group had experienced temporary halt and slowing down of majority of its operations, thus real estate sales decreased during the period. In general, the pandemic had impacted the real estate sector, decreasing demand in real estate properties in 2020.

40% decrease in rental income
Retail operations were severely hit as majority of establishments were closed. Rental payments were also waived during the Enhanced Community Quarantine. Reduced foot traffic resulted to decrease in rental revenue.

26% decrease in interest income
Parallel with the decrease in real estate sales during the year, interest income posted the same trend as it is directly attributed to sales performance.

62% increase in dividend income
The increase is directly attributed to the dividends declared from the Group's investment in Philippine Racing Inc. and Manila Jockey Club Inc.

21% increase in other income
The increase is a result of booking of surcharges / penalties from customer's default on payment, income from hotel operations and gains from repossession.

24% decrease in cost of real estate sales
The decrease in real estate sales directly affects the recognized cost of sales.

33% decrease in cost of rental income
A temporary halt in commercial operations was experienced during the Enhanced Community Quarantine, thus attributable cost to operate also decreased. Further, only those tenants offering essentials products and services were allowed to operate. Depending on the quarantine protocols, only a limited number of tenants continued its operations during the quarantine period.

10% decrease in commission
Paralleled with the decrease in real estate sales during the year, commission expense posted the same trend as it is directly attributed to sales performance.

36% decrease in advertising
The temporary halt and slow down of majority of the Group's operations resulted to lower selling and administrative expenses incurred during the period.

31% decrease in representation

The temporary halt and slow down of majority of the Group's operations resulted to lower selling and administrative expenses incurred during the period.

35% decrease in repairs and maintenance
The temporary halt and slow down of majority of the Group's operations resulted to lower selling and administrative expenses incurred during the period.

6% decrease in depreciation
The temporary halt and slow down of majority of the Group's operations resulted to lower selling and administrative expenses incurred during the period.

62% decrease in professional fees
The temporary halt and slow down of majority of the Group's operations resulted to lower selling and administrative expenses incurred during the period.

54% decrease in utilities
The temporary halt and slow down of majority of the Group's operations resulted to lower selling and administrative expenses incurred during the period.

19% decrease in miscellaneous expense
The temporary halt and slow down of majority of the Group's operations resulted to lower selling and administrative expenses incurred during the period.

27% increase in expected credit losses
With the deferment of some of the collections due to the implemented extension of payment terms, the Group recognized additional risk of non-collection, thus increasing its recognized expected credit losses for 2020.

12% increase in interest expense
With the maximization of tapping the debt market to maintain good liquidity position, increase in availment of short-term loans also increased the interest expense during the period.

Year Ended December 31, 2019 compared to year ended December 31, 2018

Overview of Operations

With the growing demand for real estate and the Company's dedication to provide quality and excellence in its endeavor, the Company achieved another milestone as a result of 94% surge in revenue for year 2019. Net income after tax increased to ₱ 1,736 million in 2019 from ₱ 1,065 million last year. Driven by aggressive development in its pipeline projects where the Company utilized ₱ 9,704 million for capital expenditure coupled with effective implementation of its extensive marketing efforts, real estate sales grew from ₱ 2,428 million in 2018 to ₱ 5,871 million in 2019. Rental revenue slightly increased to ₱ 898 million in 2019 from ₱ 859 million in 2018.

Revenue

Driven by strong demand for real estate, the Company was able to generate total revenue of ₱5,871 million in 2019 from its real estate sales. Income from its leasing portfolio slightly increased by ₱40 million from ₱859 million recognized in 2018 due to minimal escalation rates in lease contracts. The Company expects to launch an office building in year 2020 which will add to its leasing portfolio. With extensive marketing strategies employed, more properties were sold and majority of the buyers opted for longer payment schemes resulting to increase in recognized interest income totaling to ₱ 647 million in 2019 as compared to ₱ 301 million in 2018. Other income also increased to ₱ 294 million in 2019 from ₱256 million in 2018.

Cost and Expense

Total expenses for the year amounted to ₱ 6,074 million, 105% higher than ₱ 2,967 million in 2018. Total expenses comprised of cost of sales amounting to ₱ 3,231 million, selling and administrative expenses amounting to ₱ 1,263 million, interest expense amounting to ₱ 886 million and income tax expense amounting to ₱ 695 million as compared to ₱ 1,513 million, ₱ 670 million, ₱ 707 million and ₱ 77 million, respectively.

Net Income

As the company seizes the growing demand of real estate, robust increase in net income after tax amounted to ₱ 671 million which translates to 63% increase from ₱ 1,065 million in 2018. Net income after tax amounts to ₱ 1,736 million.

Project and Capital Expenditures

The Company apportioned ₱ 9,704 million for project and capital expenditures as the Company seeks to capture the growing demand for real estate – a bold move from the Company to become the country's leading real estate company not in sheer size but in ways more meaningful quality projects, quality business plans, grow, returns and innovation. The amount is accounted for the continuous development of the Company's existing residential and commercial projects and the financing of newly developed projects. As part of its growth strategy, the Company acquired raw lands for new residential and condominium project developments amounting to ₱ 3,526 million for the year 2019.

Financial Condition

Assets

The Company's total assets increase to ₱ 40,352 million in 2019 from ₱ 34,716 million in 2018. The 16% increase is due to increase in receivables by ₱ 2,033 million, which resulted from buyers opting to avail of the installment payment scheme. Significant capital expenditure also drives the increase in total assets.

Investment property and other noncurrent assets increased by 9% and 123% or ₱ 443 million and ₱ 266 million, respectively due to construction of the new office building which is expected to be launched in 2020.

Liabilities

Total liabilities reported to be ₱ 24,238 million in 2019 compared to ₱ 20,262 million in 2018. The 20% increase is mainly attributable to the increase in contract liabilities, accounts payable, long term debt and deferred tax liabilities amounting to ₱ 1,395 million, ₱ 793 million, ₱ 999 million and ₱ 379 million, respectively. The increase in contract liabilities, previously recognized as customers' deposit, is due to more reservation fees and downpayment collected from sales of real estate.

Income tax payable also increased by 149% or ₱ 30 million in relation to revenue surge of 94%.

Equity

Total stockholders' equity increased by ₱ 1,660 million in 2019 due to increase in net income generated during the year amounting to ₱ 1,736 million. There was slight decrease in unrealized gain from investment in financial assets measured at fair through other comprehensive income amounting to ₱ 77 million.

Key Performance Indicators

	31-Dec-19	**31-Dec-18**
Current Ratio	2.65	2.82
Debt to Equity	.93	.94
Interest Coverage Ratio	374.35%	261.61%
Return on Asset	4.30%	3.07%
Return on Equity	10.77%	7.37%

*Notes to Key Performance Indicators:

1. Current Ratio = current assets (cash and cash equivalents, receivables, inventories, due from affiliates, prepaid commissions, and other current asset) over current liabilities (accounts payable, customer deposit, current portion of bank loans, and income tax payable).
2. Debt to Equity = Total debt over shareholder's equity.
3. Interest Coverage Ratio = Income before income tax over Interest expense.
4. Return on Asset = Net Income over Total Assets.
5. Return on Equity = Net Income over shareholder's equity.

There are no events that will trigger any direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships between the Company and unconsolidated entities were created during 2019.

Material Changes in the Balance Sheet (+/- 5%) as of December 31, 2019 versus the Balance Sheet as of December 31, 2018

	HORIZONTAL ANALYSIS				VERTICAL ANALYSIS		
In P millions	December 31, 2019	December 31, 2018	₱ Change	% Change	December 31, 2019	December 31, 2018	% Change
ASSETS							
Current Assets							
Cash and cash equivalents	903.4	1,064.5	-161.1	-15.1%	2.0%	3.0%	-1.0%
Receivables	2,368.9	1,874.0	494.9	26.4%	6.0%	5.0%	1.0%
Contract assets	1,618.9	701.5	917.4	130.8%	4.0%	2.0%	2.0%
Real estate inventories	21,870.1	18,303.7	3,566.4	19.5%	54.0%	53.0%	1.0%
Other current assets	4,715.7	5,204.1	-488.4	-9.4%	12.0%	15.0%	-3.0%
Total Current Assets	31,476.9	27,147.7	4,329.2	15.9%	78.0%	78.0%	0.0%
Noncurrent Assets							
Installment contracts receivables – net of current portion	547.2	494.8	52.4	10.6%	1.0%	1.0%	0.0%
Contract assets - net of current portion	1,241.6	673.1	568.5	84.5%	3.0%	2.0%	1.0%
Investment properties	5,597.4	5,154.5	442.9	8.6%	14.0%	15.0%	-1.0%
Property and equipment	58.9	44.5	14.4	32.4%	0.0%	0.0%	0.0%
Financial assets at fair value through other comprehensive income (FVOCI)	948.2	985.0	-36.8	-3.7%	2.0%	3.0%	-1.0%
Other noncurrent assets	482.1	216.5	265.6	122.7%	1.0%	1.0%	0.0%
Total Noncurrent Assets	8,875.4	7,568.4	1,307.0	17.3%	22.0%	22.0%	0.0%
TOTAL ASSETS	40,352.3	34,716.2	5,636.1	16.2%	100.0%	100.0%	
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts and other payables	4,784.2	3,990.8	793.4	19.9%	12.0%	11.0%	1.0%
Short-term debt	3,521.2	3,608.0	-86.8	-2.4%	9.0%	10.0%	-1.0%
Contract liabilities	3,039.2	2,017.7	1,021.5	50.6%	8.0%	6.0%	2.0%
Long-term debt - current portion	467.0	–	467.0	–	1.0%	0.0%	1.0%
Income tax payable	49.6	19.9	29.7	149.2%	0.0%	0.0%	0.0%
Total Current Liabilities	11,861.2	9,636.4	2,224.8	23.1%	29.0%	28.0%	1.0%
Noncurrent Liabilities							
Long term debt – net of current portion	10,998.0	9,998.8	999.2	10.0%	27.0%	29.0%	-2.0%
Contract liabilities - net of current portion	418.4	45.4	373.0	821.6%	1.0%	0.0%	1.0%
Pension liabilities	6.0	5.5	0.05	–	9.5%	0.0%	0.0%
Deferred tax liabilities - net	954.6	575.8	378.8	65.8%	2.0%	2.0%	0.0%
Total Noncurrent Liabilities	12,377.1	10,625.5	1,751.6	16.5%	31.0%	31.0%	0.0%
Total Liabilities	24,238.3	20,261.9	3,976.4	19.6%	60.0%	58.0%	2.0%
Equity							
Capital Stock	10,796.5	10,796.5	0.0	0.0%	27.0%	31.0%	-4.0%
Additional paid-in capital	330.0	330.0	0.0	0.0%	1.0%	1.0%	0.0%
Retained earnings	6,138.6	4,402.4	1,736.2	39.4%	15.0%	13.0%	2.0%

Net unrealized gain on fair value of financial assets at FVOCI	491.4	568.8	-77.4	-13.6%	1.0%	2.0%	-1.0%
Remeasurement losses on pension – net of tax	-2.4	-3.3	0.8	-25.6%	0.0%	0.0%	0.0%
Treasury shares	-1,640.0	-1,640.0	0.0	0.0%	-4.0%	-5.0%	1.0%
Total Equity	16,114.0	14,454.3	1,659.7	11.5%	40.0%	42.0%	-2.0%
TOTAL LIABILITIES AND EQUITY	40,352.3	34,716.2	5,636.1	16.2%	100.0%	100.0%	0.0%

15% decrease in cash and cash equivalents
The decline in the balance of cash is directly attributable to the aggressive development and expansion of pipeline projects and acquisition of raw lands, in response to the growing demand for real estate.

26% increase in receivables
The increase in receivables is directly attributed to the 142% surge in real estate sales due to strong demand and extensive marketing efforts.

20% increase in real estate inventories
Seizing the strong demand for real estate for 2019, the Company apportioned most of its capital in project developments and acquisition of raw lands, thus increasing the real estate inventory.

9% decrease in other current assets
This consists of increased advances made to contractors and marketing arms contracted by the Company to boost its project developments and sale of its property.

11% increase in noncurrent receivables
The increase in receivables is directly attributed to the 142% surge in real estate sales due to strong demand and extensive marketing efforts.

9% increase in investment property
The increase is a result of expansion of the Company's leasing portfolio through the construction of a new office building expected to be launched in 2020.

32% increase in property and equipment
The increase is due to acquisition of new office equipment and vehicles for the Company's operation.

123% increase in other noncurrent assets
This is mainly due to security deposits made by mall tenants and advances made to contractors for the construction of the new office building.

20% increase in accounts and other payables
This is primarily due to the procurement of raw land to be used in project developments under installment payment schemes and billings from contractors that are not due for payment. Unearned processing fee for customers also contributed to the increase.

149% increase in income tax payable
This is directly related to the increase in revenue for year 2019.

51% increase in contract liabilities - current
This is attributable to the increase in reservation fees and collection of down payments from the sale of real estate lots.

10% increase in long term debts
The Company obtains some of its finances to fund and support its activities through availment of long-term loans.

821% increase in contract liabilities – noncurrent
This is attributable to the increase in reservation fees and collection of down payments from the sale of real estate lots.

9% increase in pension liabilities
This is a result of changes in estimates for retirement liability as valued by an independent actuary.

66% increase in deferred tax liabilities-net
This is mainly attributable to timing differences of revenue recognition of real estate transactions and others for tax purposes versus accounting purposes.

14% decrease in unrealized gain on fair value of available-for-sale financial assets
The decrease was due to the decline in market price of investment securities in Philippine Racing Inc. and Manila Jockey Club Inc.

26% decrease in unrealized gain on pension liabilities
This is a result of changes in estimates for retirement liability as valued by an independent actuary.

Material Changes in the Income Statement (+/- 5%) for the year ended December 31, 2019 versus the Income Statement for the year ended December 31, 2018

	HORIZONTAL ANALYSIS				VERTICAL ANALYSIS		
In ₱ millions, except per share figures	December 31, 2019	December 31, 2018	₱ Change	% Change	December 31, 2019	December 31, 2018	% Change
REVENUE							
Real estate sales	5,871.5	2,428.3	3,443.2	141.8%	75.0%	60.0%	15.0%
Rental income	898.3	858.8	39.5	4.6%	12.0%	21.0%	-9.0%
Commission income	93.6	181.3	-87.7	-48.4%	1.0%	4.0%	-3.0%
Interest income	647.0	301.0	346.0	115.0%	8.0%	7.0%	1.0%
Dividend income	5.7	7.2	-1.5	-20.9%	0.0%	0.0%	0.0%
Others	294.2	255.7	38.5	15.1%	4.0%	6.0%	-2.0%
	7,810.3	4,032.2	3,778.1	93.7%	100.0%	100.0%	
COSTS AND EXPENSES							
Cost of real estate sales	2,680.8	959.0	1,721.8	179.5%	34.0%	24.0%	10.0%

Cost of rental income	550.2	554.0	-3.8	-0.7%	7.0%	14.0%	-7.0%
	3,231.0	1,513.0	1,718.0	113.5%	41.0%	38.0%	3.0%
Commissions	687.8	324.7	363.1	111.8%	9.0%	8.0%	1.0%
Representation	71.1	18.0	53.1	295.0%	1.0%	0.0%	1.0%
Taxes, licenses and fees	100.1	70.8	29.3	41.3%	1.0%	2.0%	-1.0%
Salaries and wages and other benefits	82.5	65.1	17.4	26.7%	1.0%	2.0%	-1.0%
Advertising	107.9	59.7	48.2	80.6%	1.0%	1.0%	0.0%
Repairs and maintenance	63.0	33.6	29.4	87.2%	1.0%	1.0%	0.0%
Utilities	14.9	7.5	7.4	99.7%	0.0%	0.0%	0.0%
Professional fees	42.8	21.1	21.7	103.0%	1.0%	1.0%	0.0%
Depreciation and amortization	23.1	17.0	6.1	36.0%	0.0%	0.0%	0.0%
Expected credit loss	1.1	1.4	-0.3	-23.5%	0.0%	0.0%	0.0%
Transportation, travel, office supplies and miscellaneous	68.3	51.6	16.7	32.5%	1.0%	1.0%	0.0%
	1,262.5	670.4	592.1	88.3%	16.0%	17.0%	-1.0%
INTEREST EXPENSE	886.0	706.7	179.3	25.4%	11.0%	18.0%	-7.0%
INCOME BEFORE INCOME TAX	2,430.8	1,142.1	1,288.7	112.8%	31.0%	28.0%	3.0%
PROVISION FOR INCOME TAX	694.6	76.9	617.7	802.9%	9.0%	2.0%	7.0%
NET INCOME	1,736.2	1,065.2	671.0	63.0%	22.0%	26.0%	-4.0%

142% increase in real estate sales
With the growing demand for real estate, the Company achieved another milestone as a result of 142% surge in revenue for year 2019. The Company seized the strong demand by aggressive project development and launching of new projects for market offering.

5% increase in rental income
The slight increase is due to the minimal escalation rate in lease contract.

115% increase in interest income
The increase in sales significantly increased the recognized interest income during the year as more buyers opted to avail of the installment payment scheme.

48% decrease in commission income
The Company's marketing subsidiary focused on selling parent company's properties due to bulk increase from expansions and launching of new projects.

21% decrease in dividend income
The decrease is due to lower dividend declared from the Company's investment in Philippine Racing Inc. and Manila Jockey Club Inc.

15% increase in other income

The increase is a result of booking of surcharges / penalties from customer's default on payment, income from hotel operations and gains from repossession.

180% increase in cost of real estate sales
This is attributed to the revenue surge from real estate sales.

112% increase in commissions
A commission fee of 12% of the contract price is paid to marketing arms for every sale made, thus, commission also increase relative to revenue surge.

41% increase in taxes, licenses and fees
This is attributed to increase in real property taxes due to additions of new projects to the Company's real estate portfolio, and increase in documentary stamp tax from execution of loan agreements. The procurement of permits and licenses also contributed to the increase.

81% increase in advertising
In the effort of the Company to increase real estate sales and seize the growing demand, the Company spends a considerable amount to market its existing products and introduce new projects.

27% increase in salaries, wages and other benefits
Due to its growing and expanding operation, the Company hires additional employees to cater increased volume of transactions.

295% decrease in representation
This is attributed to the decrease in transaction costs incurred in the growing operations of the Company.

87% increase in repairs and maintenance
This is mainly attributable to increase in costs incurred for maintenance and further upkeep of condominiums, completed projects not yet turned over to homeowner's association and mall buildings.

103% increase in professional fees
The increase is mainly due to fees paid for property valuation, legal fees for the planned follow-on-offering and fees for actuarial valuation.

36% increase in depreciation and amortization
The increase is due to additions in property plant and equipment during the year.

100% increase in utilities
The increase is due to the recognition of annual utility expenses mainly for mall operation and comprised mostly of security, light, water and communication expenses

24% decrease in provision for expected credit losses
The reduction in management's estimate for expected credit losses is due to improved collectivity of receivables as observed from the payment behavior of customers.

33% increase in miscellaneous expense
The increase is attributable to surcharges and penalties incurred in permits and license procurement, insurance, legal, office supplies, software maintenance and transportation expenses.

25% increase in interest expense
To maximize its operating capacity, the Company availed short and long terms loans during the year that consequently increased interest expense.

803% increase in provision for income tax
The increase is relative to revenue surge for year 2019 and increase in deferred tax liabilities.

Year Ended December 31, 2018 compared to year ended December 31, 2017

Overview of Operations

The Company was able to hit a revenue growth of 9% in 2018 amounting to ₱ 4,032.2 million. Net income after tax increased by 30% to ₱ 1,065 million in 2018 from ₱ 818 million last year. The significant growth was mainly attributable to the increase in real estate sales contributed mostly by projects Palo Alto Rizal, Greenwoods Executive, Sta. Lucia Residenze Santorini and Sotogrande Davao. Boosted by the effective implementation of its extensive marketing efforts and across the board developments all over the country, real estate sales grew from ₱ 2,108 million in 2017 to ₱ 2,428 million in 2018. However, rental revenue decreased from ₱ 1,026 million in 2017 to ₱ 859 million in 2018.

Also, the Company was able to efficiently manage its cost at 38% of its total revenue in 2018 compared to 39% registered in 2017.

Revenue

Boosted by the effective implementation of extensive marketing efforts and across the board developments all over the country, the Company was able to generate total revenue of ₱ 2,428 million in 2018 from its real estate sales. However, rental income decreased by ₱ 167 million from ₱ 1,026 million recognized in 2017 due to reevaluation of lease rates to be competitive with neighboring malls. During the year, more buyers opted for longer payment schemes from real estate sales resulting to increase in recognized interest income totaling to₱ 301 million in 2018 as compared to ₱ 160 million in 2017. Revenue from other sources totaled ₱444 million in 2018.

Cost and Expense

Total expenses for the year amounted to ₱ 2,967 million, 13% higher than ₱ 2,872 million in 2017. Cost of sales is ₱ 1,513 million and ₱1,446 million, selling and administrative expenses is ₱ 670 million and ₱ 625 million, interest expense is ₱ 707 million and ₱ 488 million in 2018 and 2017 respectively.

Net Income

Net income after tax increased by 30% or ₱ 248 million from ₱ 818 million in 2017 to ₱1,065 million in 2018. The increase was primarily attributable to the increase in real estate sales.

Project and Capital Expenditures

The Company spent ₱ 6,506 million for project and capital expenditures in 2018. The amount is accounted for the continuous development of the Company's existing residential and commercial projects and finance newly developed projects. ₱ 319 million of the said amount was used in procuring raw lands for new residential and condominium project developments.

Financial Condition

Assets

The Company's total assets increased to ₱ 34,716 million in 2018 from ₱ 29,807 million in 2017. The 16% increase is due to significant project and capital expenditures spent in 2018 increasing the real estate inventory by ₱ 2,276 million. Also, the increase in other current assets amounting to ₱ 2,450 million has significantly affected the increase in total assets.

Liabilities

Total liabilities was at ₱ 20,262 million in 2018 compared to ₱ 15,497 million in 2017. This is attributable to the availment of long-term loans and issuance of corporate bonds during 2018. The increase in contract liabilities, previously recognized as customers' deposit, is due to more projects being sold during the year but are not yet booked as revenue following accounting standards policy. This contributed an amount of ₱ 840 million to the increase in total liabilities.

Equity

Total stockholders' equity increased by ₱144 million in 2018 due to the net income generated during the year amounting to ₱940 million. Also contributing to the increase is the change in fair value of available for sale financial assets amounting to P107 million.

Key Performance Indicators

	31-Dec-18	31-Dec-17
Current Ratio	2.82	2.27
Debt to Equity	0.94	0.73
Interest Coverage Ratio	261.61%	331.94%
Return on Asset	3.07%	2.74%
Return on Equity	7.37%	5.71%

*Notes to Key Performance Indicators:

1. Current Ratio = current assets (cash and cash equivalents, receivables, inventories, due from affiliates, prepaid commissions, and other current asset) over current liabilities (accounts payable, customer deposit, current portion of bank loans, and income tax payable).
2. Debt to Equity = Total debt over shareholder's equity.
3. Interest Coverage Ratio = Income before income tax over Interest expense.
4. Return on Asset = Net Income over Total Assets.
5. Return on Equity = Net Income over shareholder's equity.

There are no events that will trigger any direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships between the Company and unconsolidated entities were created during 2018.

Material Changes in the Balance Sheet (+/- 5%) as of December 31, 2018 versus the Balance Sheet as of December 31, 2017

	HORIZONTAL ANALYSIS				VERTICAL ANALYSIS		
In P millions	**December 31, 2018**	**December 31, 2017**	**₱ Change**	**% Change**	**December 31, 2018**	**December 31, 2017**	**% Change**
ASSETS							
Current Assets							
Cash and cash equivalents	1,064.5	626.2	438.3	70.0%	3.0%	2.0%	1.0%
Receivables	1,874.0	2,686.8	-812.8	-30.3%	5.0%	9.0%	-4.0%
Contract assets	701.5	0.0	701.5	0.0%	2.0%	0.0%	2.0%
Real estate inventories	18,303.7	16,027.8	2,275.9	14.2%	53.0%	54.0%	-1.0%
Other current assets	5,204.1	2,753.8	2,450.3	89.0%	15.0%	10.0%	5.0%
Total Current Assets	27,147.7	22,180.8	4,966.9	22.4%	78.0%	74.0%	4.0%
Noncurrent Assets							
Installment contracts receivables – net of current portion	494.8	1,499.8	-1,005.0	-67.0%	1.0%	5.0%	-4.0%
Contract assets - net of current portion	673.1	0.0	673.1	0.0%	2.0%	0.0%	2.0%
Investment properties	5,154.5	5,157.6	-3.1	-0.1%	15.0%	17.0%	-2.0%
Property and equipment	44.5	55.7	-11.2	-20.1%	0.0%	0.0%	0.0%
Financial assets at fair value through other comprehensive income (FVOCI)	985.0	878.0	107.0	12.2%	3.0%	3.0%	0.0%
Other noncurrent assets	216.5	121.1	95.4	78.7%	1.0%	0.0%	1.0%
Total Noncurrent Assets	7,568.4	7,712.3	-143.9	-1.9%	22.0%	26.0%	-4.0%
TOTAL ASSETS	34,716.2	29,807.0	4,909.1	16.5%	100.0%	100.0%	
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts and other payables	3,990.8	2,992.2	998.6	33.4%	11.0%	10.0%	1.0%
Short-term debt	3,608.0	5,475.0	-1,867.0	-34.1%	10.0%	18.0%	-8.0%

Contract liabilities	2,017.7	1,223.4	794.3	64.9%	6.0%	4.0%	2.0%
Income tax payable	19.9	46.2	-26.3	-56.9%	0.0%	0.0%	0.0%
Total Current Liabilities	9,636.4	9,736.8	-100.4	-1.0%	28.0%	33.0%	-5.0%
Noncurrent Liabilities							
Long term debt – net of current portion	9,998.8	5,039.7	4,959.1	98.4%	29.0%	17.0%	12.0%
Contract liabilities - net of current portion	45.4	0.0	45.4	0.0%	0.0%	0.0%	0.0%
Pension liabilities	5.5	2.2	3.3	150%	0.0%	0.0%	0.0%
Deferred tax liabilities - net	575.8	718.4	-142.6	-19.8%	2.0%	2.0%	0.0%
Total Noncurrent Liabilities	10,625.5	5,760.3	4,865.2	84.5%	31.0%	19.0%	12.0%
Total Liabilities	20,261.9	15,497.1	4,764.8	30.7%	58.0%	52.0%	6.0%
Equity							
Capital Stock	10,796.5	10,796.5	0.0	0.0%	31.0%	36.0%	-5.0%
Additional paid-in capital	330.0	330.0	0.0	0.0%	1.0%	1.0%	0.0%
Retained earnings	4,402.4	3,461.9	940.5	27.2%	13.0%	12.0%	1.0%
Net unrealized gain on fair value of financial assets at FVOCI	568.8	461.8	107.0	23.2%	2.0%	2.0%	0.0%
Remeasurement losses on pension – net of tax	-3.3	-0.2	-3.1	1550.0 %	0.0%	0.0%	0.0%
Treasury shares	-1,640.0	-740.0	-900.0	121.6%	-5.0%	-2.0%	-3.0%
Total Equity	14,454.3	14,310.0	144.3	1.0%	42.0%	48.0%	-6.0%
TOTAL LIABILITIES AND EQUITY	34,716.2	29,807.0	4,909.2	16.5%	100.0%	100.0%	

70% increase in cash and cash equivalents

The increase in cash is due to increase in collections from sales. Also, the availment of short and long-term loans counterweighed the substantial amount spent in capital expenditures, thus increasing the amount of cash in 2018.

30% decrease in receivables

The boosted collection effort had significantly reduced the receivable balances that resulted to increased realized cash during the year.

14% increase in real estate inventories

The increase is primarily due to significant capital expenditures in 2018. As the Company envisions expanding its business in the market niche, significant funds were allocated in project developments and acquisition of raw lands, thus increasing the real estate inventory.

89% increase in other current assets

The significant growth is due to the across-the-board project developments and aggressive marketing activities thus increasing prepayments to the contractors and marketing arms.

67% decrease in noncurrent receivables

The significant decrease is brought about by the extended efforts exerted in collections from customers.

20% decrease in property and equipment
The decrease is due to deprecation of assets.

12% increase in available for sale financial assets
There is an increase in the fair market value of the financial assets.

79% increase in other noncurrent assets
This is primarily due to significant security deposits made in 2018.

33% increase in accounts payable
The increase is mainly attributable to the increasing procurement of resources to be used in project developments acquired under installment payment schemes.

34% decrease in short-term debt
As the Company maximized its fund sourcing through long-term loan availment and issuance of corporate bonds, short-term lines were settled during the year.

57% decrease in income tax payable
This is mainly attributable to timing differences of revenue recognition of real estate transactions and others for tax purposes versus accounting purposes.

98% increase in long term debts
The Company maximized its fund sourcing activities through availment of long-term loans and issuance of corporate bonds.

20% decrease in deferred tax liabilities-net
The decrease is due to the reversal deferred tax liability attributed to the uncollected rent to SLECC.

155% increase in pension liabilities
This is due to the changes in estimates for retirement liability as valued by the independent actuary.

122% increase in treasury shares
The increase in treasury share was brought about by the purchase of 750,000,000 shares costing ₱900,000,000.

23% increase in unrealized gain on fair value of available-for-sale financial assets
The increase was due to the increase in market price of investment securities in Philippine Racing Inc. and Manila Jockey Club Inc.

1,434% increase in unrealized gain on pension liabilities
This is due to the changes in estimates for retirement liability as valued by the independent actuary.

Material Changes in the Income Statement (+/- 5%) for the year ended December 31, 2018 versus the Income Statement for the year ended December 31, 2017

HORIZONTAL ANALYSIS **VERTICAL ANALYSIS**

In ₱ millions, except per share figures	December 31, 2018	December 31, 2017	₱ Change	% Change	December 31, 2018	December 31, 2017	% Change
REVENUE							
Real estate sales	2,428.3	2,108.5	319.8	15.2%	60.0%	57.0%	3.0%
Rental income	858.8	1,026.1	-167.3	-16.3%	21.0%	28.0%	-7.0%
Commission income	181.3	109.3	72.0	65.9%	4.0%	3.0%	1.0%
Construction income	0.0	1.6	-1.6	-100.0%	0.0%	0.0%	0.0%
Interest income	301.0	160.0	141.0	88.1%	7.0%	4.0%	3.0%
Dividend income	7.2	7.2	0.0	0.0%	0.0%	0.0%	0.0%
Others	255.7	276.6	-20.9	-7.6%	6.0%	7.0%	-1.0%
	4,032.2	3,689.3	342.9	9.3%	100.0%	100.0%	
COSTS AND EXPENSES							
Cost of real estate sales	959.0	860.9	98.1	11.4%	24.0%	23.0%	1.0%
Costs of rental income	554.0	584.0	-30.0	-5.1%	14.0%	16.0%	-2.0%
Costs of construction	–	0.9	100%	0.0%	0.0%	0.0%	0.0%
	1,513.0	1,445.8	67.2	4.6%	38.0%	39.0%	-1.0%
Commissions	324.7	244.0	80.7	33.1%	8.0%	7.0%	1.0%
Representation	18.0	19.7	-1.7	-8.6%	0.0%	1.0%	-1.0%
Taxes, licenses and fees	70.8	98.4	-27.6	-28.0%	2.0%	3.0%	-1.0%
Salaries and wages and other benefits	65.1	64.1	1.0	1.6%	2.0%	2.0%	0.0%
Advertising	59.7	56.3	3.4	6.0%	1.0%	2.0%	-1.0%
Repairs and maintenance	33.6	17.0	16.6	97.6%	1.0%	0.0%	1.0%
Utilities	7.5	21.9	-14.4	-65.8%	0.0%	1.0%	-1.0%
Professional fees	21.1	31.4	-10.3	-32.8%	1.0%	1.0%	0.0%
Depreciation and amortization	17.0	19.8	-2.8	-14.1%	0.0%	1.0%	-1.0%
Expected credit loss	1.4	2.6	-1.2	-46.2%	0.0%	0.0%	0.0%
Transportation, travel, office supplies and miscellaneous	51.6	49.6	2.0	4.0%	1.0%	1.0%	0.0%
	670.4	624.8	45.6	7.3%	17.0%	17.0%	0.0%
INTEREST EXPENSE	706.7	487.6	219.1	44.9%	18.0%	13.0%	5.0%
INCOME BEFORE INCOME TAX	1,142.1	1,131.0	11.1	1.0%	28.0%	31.0%	-3.0%
PROVISION FOR INCOME TAX	76.9	313.4	-236.5	-75.5%	2.0%	8.0%	-6.0%
NET INCOME	1,065.2	817.7	247.5	30.3%	26.0%	22.0%	4.0%

15% increase in real estate sales

As driven by the Company's vision of expanding its position in the market niche, boosted marketing efforts during the year were employed increasing the real estate sales recognized during the year.

16% decrease in rental income

This is due to re-evaluation of lease rates to be competitive with neighboring malls

88% increase in interest income
Boosted sales significantly increased the recognized interest income during the year as more buyers opted to choose installment payment scheme.

66% increase in commission income
The increase is due to significant marketing strategies employed by the Company's marketing subsidiary.

13% increase in cost and expenses
This is relatively due to increase in operations of the company.

33% increase in commissions
This is brought about by the increase in real estate sales recognized during the year.

28% decrease in taxes, licenses and fees
Due to the decrease in short-term line financing, minimal documentary stamp taxes were incurred during the year.

6% increase in advertising
The increase is mainly attributed to the boosted marketing strategies implemented during the year to increase sales.

2% decrease in salaries, wages and other benefits
Due to the decrease in employee turnover, previously hired personnel remained in the Company. This resulted in decreasing outflow of resources attributed in hiring new employees.

33% decrease in professional fees
The decrease is due to the termination of contracts from various consultant and professionals for the continuous project developments.

9% decrease in representation
This is primarily due to the decrease in representation related expenses paid by the Company.

14% decrease in depreciation and amortization
The decrease is due to lower depreciation recognized as result of minimal property and equipment acquisition during 2018.

66% decrease in utilities
The dropdown in amount is due to the effective implementation of cost management strategies relating to consumption of light, water and communication expenses.

97% increase in repairs and maintenance
The increase in the number of projects already completed but not yet turned over to homeowners' associations and Condominium Corporations significantly increased the incurrence of expenses related to repairs and maintenance for its upkeep.

45% decrease in provision for doubtful accounts
Extensive collection strategies were implemented thus, reducing the management's estimate for doubtful accounts.

45% increase in interest expense
The Company's shift in maximizing fund raising activities to availment of long-term loans and issuance of corporate bonds increased the recognized interest expense in 2018.

75% decrease in provision for income tax
The decrease is mainly attributed to the reversal of deferred tax liability.

FIVE (5) KEY PERFORMANCE INDICATORS

On Sales

The Company's marketing arms include:

1. Orchard Property Marketing Corp.
2. Royal Homes Marketing Corp
3. Asian Pacific Realty & Brokerage Corp.
4. Fil-Estate Group of Companies
5. Mega East Properties Inc.
6. Sta. Lucia Global Marketing Inc.
7. SantaLucia Ventures, Inc.
8. 1 Premiere Land Marketing Corporation

These marketing companies have been proven to be effective in carrying out the business plans of the Sta. Lucia Group. The combined sales force of these marketing units totals over 120,000, catering to clients all over the Philippines.

The Company is still looking into other marketing units that may supplement its growth. The Company is specifically looking for marketing firms that will accommodate its requirements and its marketing framework. With many projects in sight and a diversified product line, there will always be opportunities for other marketing units.

On Technology Exploitation

The Company has made use of the expertise of NOAH Galleries software that is aimed at reducing costs, improving the quality of all processes involved in development, and achieving accuracy in all of its business operations. This software covers the following modules: Project Development; Accounts Payable; Real Estate Sales; and Financials which comprise the complete operation of the Company, particularly in property development. This software is expected to increase the efficiency and productivity of the Company, as well as the quality of the processes involved in property development. The migration of data to the SAP software started in June 2013 and adjustments are continuously being made to further improve the system and cater to the Company's needs.

In addition to the software, the Company's website, developed by CETT Computer Education Network can now be accessed by prospective buyers and investors through the web address www.stalucialand.com.ph. The website contains the list of lots for sale, a lot map, and a reservation system, which will enable clients to make online reservations. This website is expected to improve client convenience and also serve as a marketing tool.

On Inventory Optimization

The Company has in its portfolio a total of 3,789,429 square meters of residential, commercial and mixed-use properties from the 26 properties infused by SLRDI. Moreover, the Company has additional joint venture and land acquisition projects that have been executed since the inception of the Company.

Plans have been discussed and are currently being implemented on the disposal of the said properties, which will enhance the sales figure and bottom line of the Company. On average, most of these projects must be sold over a period of three to four years. Developments shall also take two to three years.

On Organization Design

The Company now has the assistance of professionals leading its reorganization and is still in the process of hiring highly-skilled professionals who will be involved in its daily operations.

In addition, the creation of the Executive Committee and Management Committee will make decision making more responsive to the needs of the business.

Off-Balance Sheet Arrangements

As of the date of this Prospectus, the Company did not have any material off-balance sheet arrangements or obligations that were likely to have current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity and capital expenditures or capital resources.

Liquidity and Capital Resources

The Company was able to meet its capital requirements through its capital resources, including those obtained from borrowings, prepaid sales and internally generated cash. Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Company manages its liquidity profile to be able to finance the capital expenditures and service the maturing debts. To cover the financing requirements, the Company intends to use internally generated funds and proceeds from debt and equity offerings

The Group actively manages its liquidity position to ensure that all operating, investing and financing needs are met. In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, and maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets. As of December 31, 2020 and

2019, the Group has no undrawn facilities. As part of the liquidity risk management, the Group is currently transacting with local banks for longer term corporate notes and negotiation of higher undrawn credit lines to meet the debtors', suppliers' and contractors' obligations and the Company's expansion.

At the Special Meeting of the Board of Directors of the Company held last March 12, 2021, the Company was authorized to issue up to ₱ 7 billion worth of corporate notes to refinance maturing and existing debt and for general corporate purposes.

Through scenario analysis and contingency planning, the Company also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost, and ensures the availability of ample unused credit facilities as back-up liquidity. As of June 30, 2021 and December 31, 2020, the Company's capital commitments amounted to ₱5,775.0 and ₱5,261.31 million.

FACTORS THAT MAY HAVE MATERIAL EFFECT ON THE OPERATIONS

Effects of Economic Conditions

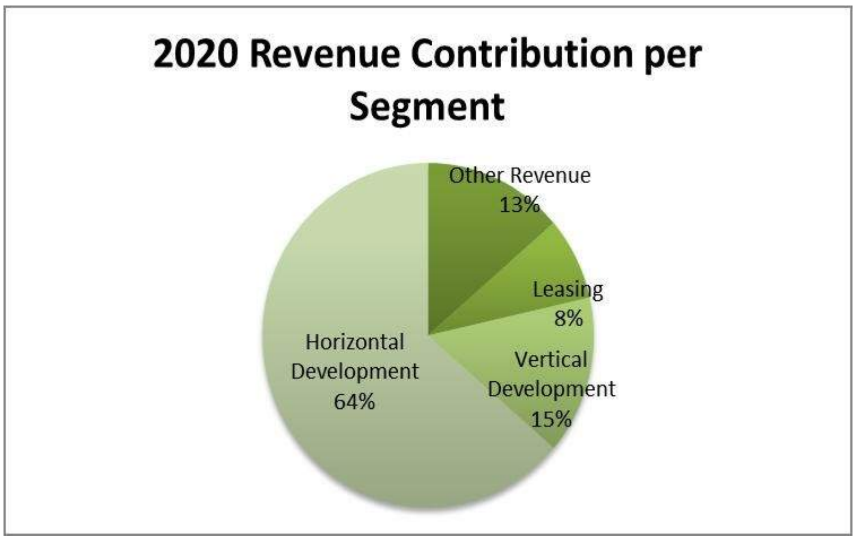
The results of the Company's operations and financial condition are affected by the general economic condition in the Philippines, including inflation rates, interest rate levels and currency exchange rate movements. For instance, the general performance of the Philippine economy affects demand for residential and commercial products, and inflation affects the Company's costs and its margins.

BUSINESS

OVERVIEW

Sta. Lucia Land, Inc. is the flagship property development arm of the Sta. Lucia Group of Companies (the "Sta. Lucia Group") which is principally engaged in real estate development, both horizontal and vertical, in various locations across the country. The Sta. Lucia Group has built a solid track record in the area of horizontal residential developments, particularly gated subdivisions, and has expanded into vertical developments, mall operations, housing construction and marketing. The Sta. Lucia Group is controlled by the Robles and Santos families.

The Company conducts its business through the following main operating segments:



Residential Projects

1. Horizontal Developments

   Residential Lots. Horizontal developments consist of residential lots for sale in gated subdivisions, complete with facilities and amenities. Typical features of these gated subdivisions include an entrance gate, guard house, landscaped entry statement, community clubhouse, basketball court, swimming pool, wide concrete road network, paved sidewalks with concrete curbs and gutters, centralized interrelated water system, underground drainage system, and electric system. These projects involve minimal construction works.

   Since 2007, the Company has completed 90 residential subdivision projects and is currently developing 105 residential subdivision projects involving a total of 38,812 units with average selling prices per unit ranging from ₱400,000 to ₱12,000,000. Required downpayments are usually 15% to 20%, payable in 6 months to 1 year.

2. Vertical Developments

Townhouses. Townhouse projects are comprised of residential housing units with independent and identical houses that are built adjacent to each other, with a row sharing one or two house walls. These projects have higher development costs, are built on smaller land areas (i.e., six to seven hectares), and are developed in phases. The Company starts with the next phase only once the previous phase is sold out.

The Company has completed four townhouse projects, three of which are known as Nottingham Villas located in (i) Jaro, Iloilo City, (ii) Taytay, Rizal and (iii) Puerto Princesa, Palawan, with 10, 11 and 15 phases, respectively. The Company also completed the Aquamira at Saddle in Tanza, Cavite with 3 phases. These projects have an average price of ₱2,980,000 per unit.

The Company has two other townhouse projects, also called as Nottingham Villas, currently being developed in (i) General Trias, Cavite and (ii) Monterosa, Iloilo. Downpayments of 15% to 20% are usually required, payable in 6 months up to two years. Balance of 80% is paid through in-house or bank financing.

Condominiums. The condominium projects of the Company are located in strategic locations near existing horizontal developments. The Company has completed the following seven residential condominium projects:

Condominium Project	Location
East Bel Air Tower 1	Cainta, Rizal
East Bel Air Tower 3	Cainta, Rizal
La Mirada Tower	Lapu-lapu City, Cebu
Neopolitan Condominium 1	Fairview, Quezon City
Splendido Taal Tower 1	Laurel, Batangas
Sta. Lucia Residenze – Monte Carlo (Tower 1)	Cainta, Rizal
The Orchard Pasig Tower	Pasig City

and currently has three ongoing projects, two in Cainta, Rizal (East Bel-Air 4 and Sta. Lucia Residenze – Madrid (Tower 3)) and one in Jaro, Iloilo (Green Meadows Condominium). The downpayment ranges from 15% to 20%, payable in two to three years. Balance of 80% is paid through in-house or bank financing.

Condotels. Condotel projects are condominium units being sold to individual buyers but are managed and operated as a hotel. For condotel projects, unit buyers are given the option to purchase a condominium unit or a condotel unit. A condotel unit is placed under a rental program initially for 15 years where it is rented out like a typical hotel room. An experienced management company, with common shareholders and directors as SLI, handles all operations, maintenance, and management of the units under the rental program. Rental income from the units is shared between the Company and the unit owners, where the management company usually receives at least 30% of net rental income. The condotel owner is not given any guarantee or assurance that the unit will be leased or if leased out, of any guaranteed return on the rental of his/her unit. Condotel unit owners are given 30 complimentary room nights per year which are transferrable across all the Company's condotels in the Philippines.

The Company has completed the following ten condotel projects:

Condotel Project	Location
Arterra Residences at Discovery Bay	Lapu-lapu City, Cebu
Stradella (formerly East Bel Air Tower 2)	Cainta, Rizal
La Breza Tower	Mother Ignacia Street, Quezon City
Sotogrande Iloilo Tower 1	Jaro, Iloilo
Splendido Taal Tower 2	Laurel, Batangas
Sta. Lucia Residenze – Santorini (Tower 2)	Cainta, Rizal
Crown Residence at Harbor Springs Resort	Puerto Princessa, Palawan
Sotogrande Katipunan	Katipunan, Quezon City
Sotogrande Hotel Davao	Davao City
Sotogrande Neopolitan	Fairview, Quezon City

and currently has seven ongoing projects in (i) Quezon City (The Tribute), (ii) Puerto Princesa (Sotogrande Palawan), (iii) Cebu (Nivel Hills) (iv) two in Baguio City (Sotogrande Baguio Tower 1 and 2), and (v) two in Batangas (Sotogrande Bauan and Nasacosta Peaks).

Average selling prices per unit range from ₱85,000 to ₱160,000 per sqm with required downpayments of 20%, payable in two to three years while the balance of 80% is paid through in-house or bank financing.

Commercial Properties

1. Mall

Sta. Lucia East Grand Mall ("SLEGM"). The SLEGM is a comprehensive commercial, entertainment, and leisure facility with a full range department store, supermarket, movie theater, fast food chains, bookstore, specialty boutiques for clothing, accessories, telecommunication, and hobby stores. The SLEGM is comprised of three four-storey buildings with a gross floor area ("GFA") of 180,000 sqm and a gross leasable area of 89,940 sqm. The SLEGM is located at Marcos Highway cor. Felix Ave., Cainta, Rizal.

In 2014, the Company opened the expansion mall called Il Centro, which is comprised of a three-storey building with a GFA of 50,000 sqm and a gross leasable area of 9,136.62 sqm. The expansion mall has a 20,000 sqm parking to cater to residential tenants and mall clients.

Currently, the mall has 99,076 sqm gross leasable space of which 78.83% is leased. The business serves to complement the needs of the residential communities that the Company has built in the cities of Pasig, Marikina, and in the various towns of the Rizal province.

2. Business Center

Sta. Lucia Business Center. The Company aims to expand its recurring income base by developing offices, malls and hotels as well as potentially entering into strategic partnerships for commercial asset management or development. In October 2020, the Company completed its six-storey Sta. Lucia Business Center in Cainta, Rizal, which offers 26,011 square meters of gross leasable office space. As of June 30, 2021, this building is 100% leased out to a Philippine Offshore Gaming Operator ("POGO") under a five-year lease contract.

3. Commercial Lots

The commercial properties of the Company are complementary to existing residential projects and are being offered to existing established retail partners. There are a total of 1,436 commercial lots covering 142.14 hectares adjacent to the Company's projects nationwide. There is an allocation for an average commercial space ranging from 300 to 2,000 sqm in the majority of the Company's projects. The Company intends to expand its retail portfolio by offering these commercial properties through 3 main options: (i) outright sale of the commercial lots, (ii) lease of the commercial lot to retailers, and (iii) building of the Company's own malls in these commercial properties and leasing commercial space to retailers.

Services

1. Sale on Installment

The Company also earns revenue through its sale on installment program to cater to their customers who do not have the accumulated savings to pay for the projects of the Company but have sufficient recurring income to support monthly amortization payments. Around 90- 95% of the Company's sales are through its in-house installment program. The customers of the Company who avail of the program are charged higher than the prevailing interest rates of banks, ranging from 14% to 16% per annum and a 20% downpayment with tenors up to a maximum of 10 years. For 2020, around 95% of customers of SLI availed of the sale on installment facility with terms of 5 years or less.

2. Housing / Construction

The Company also ventured into housing construction services through its wholly-owned subsidiary, SLHI, which provides access to and assistance in connection with general construction services to its lot buyers. SLHI began operating in 2014 in order to service the needs of lot buyers who would like to have their own house constructed on their previously bought lots but are not familiar with the process (i.e., securing permits, construction, accessing financing, etc.). SLHI provides these services to its lot owners with the assurance of reliability from an established brand name. The price of house construction service ranges from ₱26,000 per sqm to ₱30,000 per sqm. Payment terms require a 20% downpayment that is payable up to six months, with the balance payable up to 10 years through in house or bank financing. While this remains a good opportunity for the Company to reach more lot buyers, the Company, for the next few years, will focus on project development through strategic land banking and joint ventures with land owners in key provinces.

3. Marketing

The Company is currently conducting marketing services through its subsidiary, SVI. SVI was incorporated with the primary purpose of marketing, operating, managing residential structures for lot buyers of the Group. The sales and marketing functions were shifted to SVI in order that the Company may focus on the development of its projects.

For the years ended December 31, 2018, 2019 and 2020, SLI had total revenues of ₱ 4,032.22 million, ₱7,810.29 million and ₱ 6,853.15 million, respectively. The Company also had net income of ₱1,065.18 million, ₱ 1,736.20 million and ₱ 1,707.95 million, respectively, over the same periods. For the six months ended June 30, 2020 and 2021, the Company had total revenues of ₱ 2,428.53 million and ₱3,965.03 million respectively.

HISTORY

The Sta Lucia Group's early beginnings as a real estate developer began in 1971 under the name Buen-Mar Realty ("Buen-Mar") established by siblings Buenaventura Robles and Marcela Robles-Santos, aided by their spouses Dominga Dumandan-Robles and Atty. Felipe G. Santos. Buen-Mar gave way to the creation of what is now known as the Sta. Lucia brand – a name rooted in the family's strong religious beliefs. Saint Lucia, also known as Lucia of Syracuse or Saint Lucy, is the patron saint of vision. The name "Lucia" is derived from the Latin word for light. Atty. Felipe Santos and then 19-year old Exequiel Robles, the eldest of the Robles siblings, took over the business and incorporated Sta. Lucia Realty & Development, Inc. ("SLRDI") in 1971, a move which paved the way for the Sta Lucia Group's venture into full-scale horizontal land development. Exequiel D. Robles continued his father's work in real estate as head of the Sta Lucia Group.

In 1996, the Sta. Lucia Group started its first residential and golf course development in the country, The Orchard Golf and Country Club (the "Orchard"), which has two golf courses designed by Gary Player and Arnold Palmer, respectively, well regarded professional golfers. The Orchard was the first world class golf course development in the Philippines with a fully integrated golf and residential community. Since then, the Sta Lucia Group has constructed over 15 golf courses, currently the highest number for any developer in the country. Aside from residential projects and golf courses, the Sta Lucia Group has also developed a 10.5-hectare mall complex in Cainta, Rizal, the Sta. Lucia East Grand Mall ("SLEGM") and select resorts and hotels such as Palo Alto Rizal, Club Morocco Zambales, Aqua Mira Cavite, Vistamar Cebu, Nasacosta Batangas, Sotogrande Cebu, Arterra Cebu, Santorini Rizal, Sotogrande Iloilo, etc. which are all complementary to existing residential projects.

The Company, prior to the entry of SLRDI, was a dormant listed company which was engaged in clay mining operations until 1995. The Company was incorporated on December 6, 1966 under the name "Almario E. Mendoza & Company, Inc." authorized to carry on a business of manufacturing of lumber, plywood, veneer, and of similar kind or nature. On November 5, 1973, the Company's name was changed to "Zipporah Copper & Gold Mining Corporation" with its corporate purpose amended authorizing it to engage in mining activities. On March 18, 1987, the Company again changed its name and was called "Zipporah Mining & Industrial Corporation". On August 14, 1996, the Company's corporate name was changed to "Zipporah Realty Holdings, Inc." with the primary purpose amended to real estate development. On October 9, 2007, the Company's corporate name was changed to its current name, Sta. Lucia Land, Inc., together with the primary purpose allowing it to engage in both horizontal and vertical developments. At this point, the Sta Lucia Group already had a 20.92% interest the Company.

In 2008, SLDRI increased its stake in the Company from 20.92% to 97.22% through an asset for share swap transaction and was effectively listed in the PSE via backdoor listing. SLRDI subscribed to 10,000,000,000 common shares of the Company in exchange for the assignment of all its rights, title and interest to certain investment properties consisting of (i) the Sta. Lucia East Grand Mall amounting to ₱4,710.00 million and (ii) several parcels of land amounting to ₱6,018.50 million with assumption of mortgage in the amount of ₱723.60 million in favor of the Company. This additional ₱10 billion subscription was consummated on May 20, 2008, the day SEC approved the Company's application to increase its authorized capital stock from ₱2 billion divided into 2,000,000,000 common shares to ₱16 billion divided into 16,000,000,000 common shares.

Since its listing in the PSE, SLI continued to grow its business by focusing on its core competencies of providing master-planned gated communities/subdivisions.

In 2013, complementing its existing residential projects, the Company decided to establish Sta. Lucia Homes, Inc. ("SLHI") to handle housing construction and Santalucia Ventures, Inc. ("SVI") for marketing, operation and development of the Company's projects. SLHI was incorporated on February 20, 2013 with the primary purpose of constructing and developing residential structures for lot buyers of the Sta Lucia Group. A few months later, or on April 5, 2013, SVI was incorporated with the primary purpose of marketing, operating, managing residential structures for lot buyers of the Sta Lucia Group.

More than five decades later, having successfully developed namesake subdivisions in Pasig City and various municipalities in the Rizal province, the Sta Lucia Group expanded its presence into new markets while strengthening its hold on existing markets. Most of the Sta Lucia Group's projects are residential subdivisions, where they offer lot owners an area where they can build a home, nurture a family and have a lifestyle of their own. Most of the subdivisions built by the Company include community and sports facilities such as a clubhouse, swimming pool, basketball court, landscaped gardens and a children's playground and, in addition to basic amenities, concrete roads, adequate water and electrical power. In larger communities, the Sta Lucia Group's developments may include tennis courts, water slides, bowling facilities, and man-made lakes.

From its beginnings more than 50 years ago, the Sta Lucia Group has grown to be an established nationwide developer of gated subdivision lots catering to the middle class in emerging cities. The following are the major developments in the history of the Sta Lucia Group:

1971	• Buenaventura Robles and Marcela Robles- Santos established Buen-Mar Realty to develop gated subdivisions

1991	• Development of the SLEGM, the first mall in Cainta, Rizal
2007	• Back-door listing of the Group's assets by acquiring Zipporah Realty Holdings, Inc. and the formation of Sta. Lucia Land, Inc as the sole developer of the Group
2009	• Launch of the first master planned lake community in Iloilo (Greenmeadows) • Launch of the Company's first high-rise project in Metro Manila called La Breza Tower
2012	• Start of the development of the Company's first townhouse project comprised of 7 clusters, the Nottingham Villas Townhomes in Rizal province. The first cluster was sold out in less than a year.
2013	• Incorporation of SLHI and SVI as the Company ventures into house construction and marketing services
2014	• Reached record of ₱2.3 billion in sales revenue and ₱549 million in net income
2015	• Maiden capital market offering of ₱4 billion retail bonds listed in Philippine Dealing & Exchange Corp. ("PDEx") with credit rating of AA+
2016	• With strengthened management team and corporate governance, the Company received numerous seals of excellence
2017	• 10-year corporate notes for ₱3.1 billion
2018	• Reached record of ₱4.0 billion in revenue and ₱1.065 billion in net income • 7-year corporate notes for ₱5 billion
2019	• Reached record of ₱7.81 billion in revenue, ₱1.73 billion in net income and ₱40.35 billion in total assets
2021	• 3-year and 5-year corporate notes for ₱7 billion

In recognition of its efforts, SLI has garnered several awards and recognitions over the years:

Period	Awards	Category
2021	High Growth Companies Asia-Pacific	Nikkei Asia & Financial Times
2021	Top 500 Hi-Growth Companies in Asia (Top 288)	Financial Times
2021	The Philippines' Growth Champions 2021	Philippine Daily Inquirer
2020	Readers Digest	Quality Service Awards (Silver)
2019	FIABCI – Philippines International Real Estate Federation	Best Hotel in Visayas (Gold) "Arterra, Cebu"
2019	FIABCI – Philippines International Real Estate Federation	Property Man of the Year "Mr. Exequiel D. Robles"
2019	FIABCI – Philippines International Real Estate Federation	Excellence Award – Diplomate
2018-2019	Golf Digest	Top 10 Best Golf Course in the Philippines
2018	APAC Insider Philippine Business Awards	Best Real Estate Developer Company

2018	Outlook Awards 2018	Highly Commended Developer of the Year – Luzon
2018	Outlook Awards 2018	Highly Commended Premium Condo of the Year – Visayas & Mindanao "Arterra Bayfront Residences"
2017	Asia CEO Awards	Smart Enterprise Global Filipino Executive of the Year
2017	Asia CEO Awards	TCS Executive Leadership Team of the Year
2016	Asia CEO Awards	Heart for OFWs Company of the Year
2016	Asian Golf Awards 2016	Top 10 Best Golf Course in the Philippines
2016	Asia-Pacific Stevie Awards	Innovative Management in Consumer Products & Services Industries
2014-2019	World Golf Awards	Philippines' Top 10 Best Golf Courses
2012	My Property.ph Real Estate Awards	Best Investment Awards for Splendido Towers
2012	BCI Asia	Top 10 Developer in the Philippines
2007 – 2011	Reader's Digest	Reader's Digest Trusted Brand (Gold)

The Company is listed on the PSE under the ticker "SLI". As of June 30, 2021, the Company is 81.7550% owned by SLRDI.

RECENT DEVELOPMENTS RELATING TO COVID-19

Background

Following the outbreak of the coronavirus disease that started in Wuhan, Hubei, China, on January 30, 2020, the World Health Organization ("WHO") declared the 2019 coronavirus disease ("COVID-19") outbreak a Public Health Emergency of International Concern, and subsequently, with the continued increase in the number of confirmed cases throughout the world, a pandemic on March 11, 2020.

In response to the pandemic, the Philippine government placed Metro Manila under enhanced community quarantine from March 16 to May 15, 2020 and, among others, restricted traveling through land, domestic air, and domestic sea from Metro Manila. Other local governments in the Philippines followed in implementing similar lockdowns. Since March, 2020, the government has implemented the community quarantine with varying degrees of restriction to stop the spread of COVID-19. The community quarantine classifications imposed within the country include Modified General Community Quarantine ("MGCQ"), General Community Quarantine ("GCQ"), and Modified Enhanced Community Quarantine ("MECQ") and Enhanced Community Quarantine ("ECQ"). The quarantine measures remain subject to further evaluation by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases.

As of June 30, 2021, the Philippines had a total of 1,412,559 confirmed cases and 24,662 deaths reported by the Department of Health ("DOH"). As of July 2, 2021, total cases worldwide have reached 182,319,261 with 3,954,324 deaths, as reported by the WHO. The Philippine government, primarily through the Local Government Units, have been actively administering COVID-19 vaccinations in an effort to achieve herd immunity. According to the DOH, a total of 10,443,407 COVID-19 vaccine doses have been administered as on June 30, 2021.

Given the measures imposed by the Philippine government to address the spread of the virus, the Philippine economy was expected to contract in 2020, which according to initial government estimates, the GDP would range between (0.1%) and 0.5%. According to the Philippine Statistics Authority, the Philippine GDP shrank higher than expected at 4.2% for the first quarter of 2021. The World Bank has lowered its GDP forecast for the Philippines for 2021 from 5.5% to 4.7%.

The Philippine stock market has also fallen since Metro Manila was placed under community quarantine, which led the PSE benchmark index ("PSEi") to reach the 4,000 level, its lowest in the past eight (8) years, and trigger its circuit breaker twice to temporarily halt trading of stocks for fifteen (15) minutes. As of June 30, 2021, the PSEi has slightly recovered to 6,901.91 given the measures implemented by the Philippine government. To cushion the economic impact, the Philippine government has employed both monetary and fiscal expansionary tools.

On March 19, 2020, the BSP reduced its policy rates by fifty (50) basis points, which brought the reverse purchase rate to 3.25%, and overnight lending and deposit rates to 3.75% and 2.75%, respectively. The BSP likewise reduced the reserve requirement ratio by 400 basis points for banks in order to boost domestic liquidity. As of June 30, 2021, the BSP maintained the following rates: overnight lending rate of 2.50%, deposit rate of 1.50%, overnight reverse repurchase rate of 2.0%. The BSP is projected to maintain the current reserve requirement ratio of 12% to maintain market liquidity and continually stimulate the economy.

In terms of the government's fiscal policy efforts, on March 16, 2020, the Philippine government initially unveiled a ₱27.1 billion spending plan to support the tourism sector, the DOH in its procurement of testing kits and hospital gear and equipment, the reskilling of displaced workers, and provide subsidy to farmers, fisherfolk, displaced workers and micro businesses. On March 24, 2020, Republic Act No. 11469 or the "Bayanihan to Heal as One Act" was signed into law, which authorized the Philippine government to (i) exercise powers to meet the current national emergency related to COVID-19 for three months, unless extended by congress, (ii) reallocate, realign and reprogram a budget of around ₱275 billion from the national budget in response to the pandemic, and (iii) temporarily take over or direct the operations of public utilities and privately owned health facilities and other necessary facilities, when the public interest so requires for quarantine, among others.

Impact on the Operations of the Company

The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group. Measures currently undertaken by the Group to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others.

The quarantine restrictions and recent social distancing guidelines limit the operations of malls and construction completion. Despite the challenges, the Group prioritized easing the burden of its customers by providing payment grace periods or rental relief. Since physical gatherings were no longer possible, marketing efforts shifted to digital platforms to resume promotional campaigns.

In addition, the Group's strong presence outside Metro Manila is a factor that lessens the impact of the lockdown, as most areas especially in the provinces have already transitioned to modified general community quarantine where it can ramp up the construction activities.

The Group is closely monitoring the situation and the changes in their target market's behaviour as a result of the "new normal". Despite adverse effect in real estate industry, the Group proves to be resilient that it expects to launch all projects and its leasing expansion on time.

In 2020, as a result of COVID-19 pandemic, SLI granted its mall tenants lease concessions ranging from 50% to 100% of monthly rent depending on the nature of the tenant's operations. Rent concessions provided amounted to ₱ 166.54 million. These rent concessions qualified as a lease modification, thus, were accounted for as a new lease from the effective date of the modification and recognized remaining lease payments on a straight-line basis over the remaining lease term.

Also in 2020, the Group, provided reliefs under Bayanihan 1 Act and Bayanihan 2 Act, by offering financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the restructuring of existing receivables and extension of payment terms.

Mitigation Efforts by the Company

Notwithstanding the effects of the COVID-19 pandemic on its revenues and construction activities, the Company was able to operate effectively and efficiently through (i) the contingencies it provided to its people, who are the backbone of its operations; and (ii) proactive steps undertaken to maintain a safe workplace and adoption of practices protecting the health of its employees, clients and others. Some of these are described below.

Contingencies provided to the backbone of the Company's operations

- Implementation of the Work from Home (WFH) arrangement for employees whose work can be done from home;

- Advance payment of salaries and partial release of bonus, upon implementation of the community quarantine in 2020, to support the initial day to day needs of its employees;

- Periodic COVID-19 testing for employees that report for work in the Company's offices, and vaccination program for its employees;

- Golf clubs also extended cash and food assistance to their caddies.

Steps in maintaining a safe workplace and practices promoting the health of employees and customers

- Appointment of the Company's sanitation team and regular cleaning of the Company's offices and the SLEGM where the supermarket, drugstores, clinics and other essential stores that remained open to cater the basic needs of the public;

- Cancellation of large group meetings in person;

- Provision of meals to frontliners;

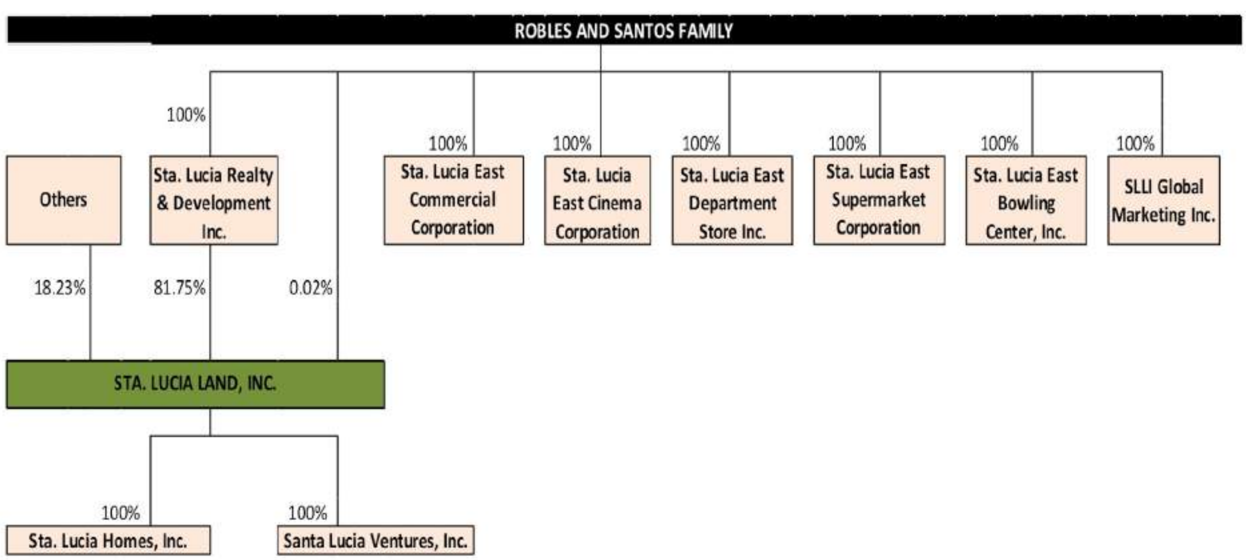
- Introduction of new payment gateways for its customers who may pay their sale installments online. Clients with active accounts in good standing were allowed to defer payment and pay on their next payment due date without penalties.

The imposition of the community quarantine opened a new opportunity for the Company to channel its sales activities through digital marketing and online selling. This is consistent with its strategy to continue expanding its customer base through its appointed marketing companies.

The Company's construction activities are also well adjusted to the community quarantine protocols. The Company has been extra cautious in the sanitary and health protocols in the workplace hence no significant issues have been noted on the resumption of development activities. With that, the Company observed no significant delays since the development activities were only suspended for two to three months and had resumed as soon as the enhanced community quarantine was lifted.

CORPORATE STRUCTURE

The Company's corporate structure is presented in the diagram below:



At present, SLI has two subsidiaries: Sta. Lucia Homes, Inc. and Santalucia Ventures, Inc. The functions of each subsidiary are summarized below.

Sta. Lucia Homes, Inc. (SLHI)

SLHI was incorporated on February 20, 2013. Its primary purpose is to construct, develop, improve, mortgage, pledge and deal with residential structure for lot buyers of the Company. SLHI is a wholly-owned subsidiary of the Company.

Santalucia Ventures, Inc. (SVI)

SVI was incorporated on April 5, 2013. Its primary purpose is to market, operate, manage, develop, improve, dispose, mortgage, pledge and deal with residential structure for lot buyers of the Company. SVI is a wholly-owned subsidiary of the Company.

The table below shows the contribution of each subsidiary to the Group's Revenue and Net Income:

	June 2021	2020	2019	2018
Subsidiaries' Contribution to Total Revenue				
SVI	₱262,439,198	₱408,610,958	₱644,783,076	₱258,727,621
SLHI	-	1,600	1,594	1,592
Subsidiaries' Contribution to Net Income				
SVI	44,730,234	₱8,927,514	₱123,800,002	₱369,189
SLHI	-	(86,220)	(63,915)	(35,422)

COMPETITIVE STRENGTHS

Established track record in real estate development

SLI is the listed real estate arm of the Sta. Lucia Group (the "Sta. Lucia Group"), a real estate industry pioneer with a development track record spanning more than 50 years. The Group has successfully developed more than [10,000] hectares of land into over [250] projects, [120,000] lots, [2,600] houses, and [3,800] condominium units across more than [70] cities and municipalities in the country. The property credentials of the Sta. Lucia Group include some of the best known residential communities and leisure estates in the Philippines.

The Sta. Lucia Group started in 1971 as a subdivision developer under the name Buen-Mar Realty. Having developed subdivisions in Pasig, Taytay, Morong, and Rizal, Buen-Mar Realty gave way to the creation of what is now known as Sta. Lucia Realty and Development, Inc. ("SLRDI"). In 1991, the Sta. Lucia Group started the development of the first mall in Cainta, Rizal: the Sta. Lucia East Grand Mall ("SLEGM"), a 10.5-hectare mall complex complementing the needs of growing residential communities in the cities of Pasig and Marikina as well as in various towns of Rizal. In 1996, the Sta. Lucia Group started its first fully integrated golf and residential estate, The Orchard Golf and Country Club. Since then, the Sta. Lucia Group has expanded into the development of hotels, resorts, condotels, and larger subdivisions.

In 1996, SLRDI, bought a 20.92% stake in the Company, then known as Zipporah Realty Holdings, Inc., formerly Zipporah Copper & Gold Mining Corporation, a listed company originally engaged in mining operations. In 2007, the Company adopted its current name, Sta. Lucia Land, Inc., and changed its primary purpose to enable it to engage in both horizontal and vertical property development. In 2008, SLRDI increased its stake in the Company from 20.92% to 97.22% through an asset for share swap transaction wherein SLRDI subscribed to 10,000,000,000 common shares of the Company in exchange for the assignment to the latter of all SLRDI's rights, title and interest to certain investment properties consisting of (i) SLEGM amounting to ₱4,710.00 million and (ii) several parcels of land amounting to ₱6,018.50 million with assumption of mortgage in the amount of ₱723.60 million. SLI became the real estate development arm of the Group and has continued to grow its business by focusing on its expertise in creating master-planned gated communities and subdivisions.

As a testament to its real estate development capability and contribution to the industry, SLI has garnered numerous awards, including, among others: "Best Real Estate Developer" in 2018, APAC Insider Philippine Business Awards; "Best Hotel in Visayas (Gold)" in 2019 (for its Arterra, Cebu development), FIABCI – Philippines International Real Estate Federation; "Highly Commended Developer of the Year – Luzon" in 2018, Outlook Awards 2018; and "Best Real Estate Development Firm" in 2019, APAC Insider South East Asia Business Awards.

With its rich experience partnered with diverse product offerings, SLI believes that it can capitalize on its track record, reputation and network to attract core business opportunities, pursue new projects, and drive expansion.

Efficient joint venture model

The Company utilizes a joint venture ("JV") business model to continuously increase its land bank and geographic footprint. Under the JV business model, the Company enters into JV agreements with various landowners for the development and sale of subdivision lots and condominium units with allocation to the joint venture partner of certain lots or units, or proceeds from the sales of lots or units, based on a pre-agreed sharing ratio. SLI's interests in these joint ventures range from 40% to 85%, depending on the value of the land or investment against estimated development costs.

As of June 30, 2021, the Company has established partnerships for more than 147 projects which contribute approximately 46% or 1,176.82 hectares of SLI's current land bank. These projects generated 16.59% of SLI's revenue as of June 30, 2021. By entering into joint ventures, the Company is able to increase its land bank for a fraction of the cost compared to acquiring land directly, thus enlarging its operating capacity. Moreover, through this business model, the Company is able to widen its geographic presence, resulting in greater market penetration while minimizing the risk of potential loss from an unprofitable JV arrangement.

In addition, as a result of its experience doing business with diverse counterparties and entities through the JV model, the Company is able to effectively apply insights and strategies that facilitate negotiation and documentation, resulting in faster deal execution and closing.

Expansion in established strategic growth areas

The Company's Board of Directors approved the acquisition for land banking purposes of approximately 2,015 hectares strategically located in high growth areas across all major island groups of the country. Of this, some have been acquired by direct acquisition or through joint ventures, while others are still under negotiation. As of June 30, 2021, approximately 1,388.58 h.a. are directly owned by SLI and around 1,176.82 h.a. are attributable to the Company from its various joint ventures. The bulk of the Company's land bank and joint ventures are well-situated in Mega Manila, Davao, and Iloilo. To date, the Company has completed 86 projects and has 106 projects under development.

The Company is involved in the acquisition and development of mixed-use, master planned communities and served as the platform for the Group's development of residential and commercial properties. With a long-term horizon, the Company views its key land bank areas as launching pads for years of development. Its approach to land banking is oriented towards value creation and realization. The Company applies financial discipline with focus on yields, cashflows, and the judicious buying and selling of lots at the opportune time. It develops, updates, and refines plans, providing clear framework in decision making. It also engages community-based stakeholders such as local government units and other government entities to assure that vital infrastructures are in place to support the long-term development plans.

Many of the Company's properties and projects are near the sites of Build-Build-Build ("BBB") projects of the Philippine Government, as enumerated in the table below.

Region	BBB Project	SLI Project
NCR	Mega Manila Subway	La Breza Tower
		Sotogrande Katipunan
		The Orchard Tower
		Metropoli Residenza Libis
	Katipunan Extension Project	Acropolis Loyola
Ilocos Region	TPL Expressway	Woodside Garden Village
Central Luzon	MRT 7 Project	Neopolitan Condominium
		Colinas Verdes
	Central Luzon Link Expressway Phase 1	Lakewood City
CALABARZON	Cavite-Laguna Expressway	Aquamira At Saddle
		Eagle Ridge Executive
		Green Meadows Dasmarinas
		Metropolis Greens
		Orchard Res Estate & Golf
		St. Charbel Dasmarinas
		Southfield Executive

		Sugarland Estates
		Mestilo Nueva Vida
	PNR South commuter	Golden Meadows Binan
		South Spring Laguna
		La Huerta Calamba
	LRT 1 South Extension	Costa Verde Comm'l & Res.
	LRT 2 Extension	Sta. Lucia Residenze
		Vermont Park Executive
		Sta. Lucia Business Center
		Sta. Lucia East Grand Mall
		East Bel-Air Residences
Western Visayas	Bacolod Economic Highway	Manville Royale
		La Alegria
Central Visayas	Metro Cebu Expressway	Alta Vista Residence
		Arterra Discovery Bay
	Mactan-Cebu International Airport	Vistamar Residence & B Club
		La Mirada at Vistamar
Davao Region	Davao City By-Pass & Mindanao Railway	Altea Ciudades Davao
		Davao River Front
		Las Colinas @ Eden
		Los Rayos Tagum
		Monterey Residences Davao
		Monte Verde Davao
		Ponte Verde Davao
		South Groove Davao
		Soller Mandug Davao
		Sotogrande Hotel Davao
		South Pacific Golf & Leis. Est.
		Sotogrande
		Valle Verde Davao

The Company believes that proximity to government infrastructure projects will substantially increase the market value of its property portfolio. For instance, the Company believes that the planned Mindanao Railway Project will positively affect its projects in Davao, namely, Ponte Verde Davao, Valle Verde Davao, Soller Cuidades and Althea Cuidades.

Based on an appraisal by Colliers International Philippines, Inc., as of December 31, 2020, the Company's then inventories and investment properties is estimated to have a market value of ₱58.74 billion.

The Company selects properties near major roads, schools, commercial establishments, or other areas of interest to enhance the value of its projects. Apart from this, the Company also considers regional economic growth in property selection. SLI's land-banking strategy is anchored on the time-tested principle that economic growth will translate to higher land values and better marketability for future projects.

The table below shows the gross regional domestic product growth in 2018 of regions where SLI properties are located:

Region	Average Regional Growth
National Capital Region	4.8%
Cordillera Administrative Region	7.3%
Ilocos Region	6.5%
Central Luzon	7.1%
CALABARZON	7.3%
MIMAROPA	8.6%
Western Visayas	6.1%
Central Visayas	7.6%
Davao Region	8.6%

Source: Colliers International Philippines, Inc. 2019

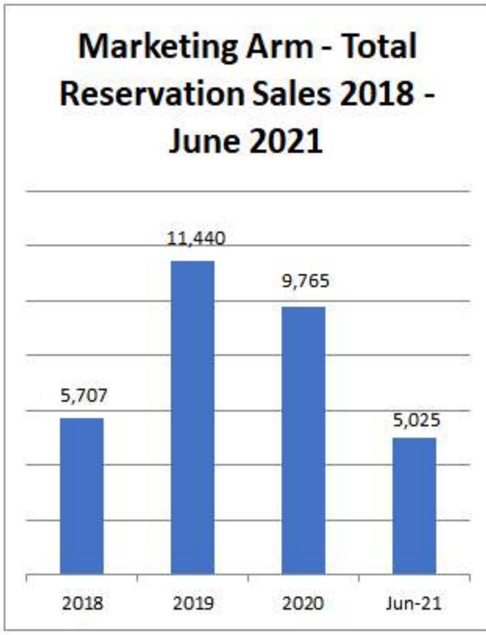
With its various product offerings, SLI is in a position to capitalize on the strategic location of its land bank by determining the ideal development suitable to a given area, resulting to more profitable projects.

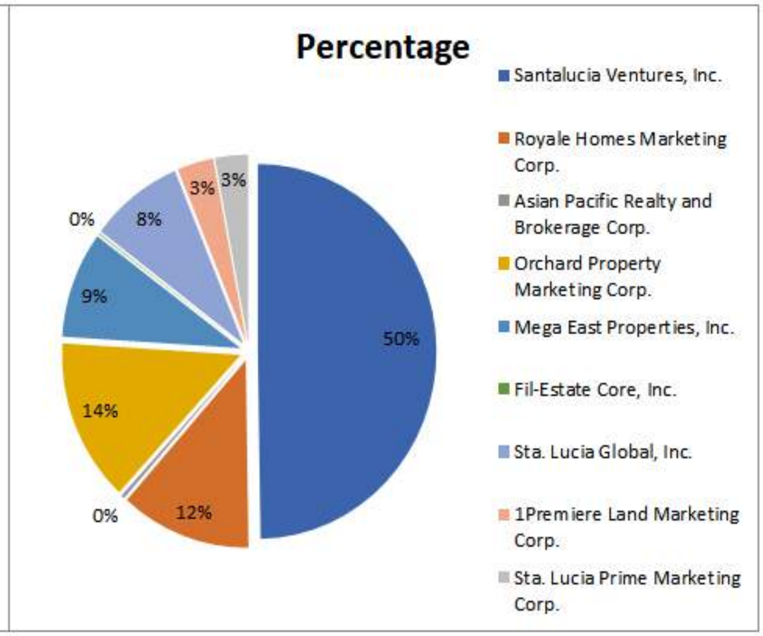
Sales and marketing team with nationwide and global coverage

The Company is supported by in-house and third-party marketing channels that promote and facilitate property sales both domestically and globally. In the Philippines, the Company's brokers and sales agents are present in high growth areas and are therefore able to readily market SLI's projects in those locations, such as in Bacolod, Bataan, Batangas, Cavite, Cebu, Davao, General Santos, Iloilo, Laguna, Nueva Ecija, Manila, Pangasinan, Quezon City, Rizal, Tarlac, Valenzuela, and Zambales. The Company also has significant international coverage to capture demand from OFWs seeking to purchase homes for their families in the Philippines.

Aside from its marketing subsidiary, Santalucia Ventures Inc., the Company also engages third party marketing companies to further expand its domestic and international customer reach. As of June 30, 2021, these third-party marketing companies have a total of 194 sales agents in the Americas, 3,319 sales agents in Europe, 308 sales agents in the Middle East, and over 8,521 sales agents in Asia (including the Philippines).

Reservation Sales generated through eight marketing companies (including SVI) have steadily risen through the years, a testament to the growth of the Company. The graphs below illustrate the Reservation Sales made through these marketing companies from 2018 to first half of 2021 as well as the Reservation Sales contribution of each entity.





In 2019, SLI launched Acropolis Loyola, a 40-hectare project in Quezon City / Marikina City which is adjacent to Loyola Grand Villas. Projected selling price is at an average of ₱ 65,000 per sqm, which when applied to a projected 26 hectare saleable area, could result to a total project revenue of ₱ 17 Billion. The 100% spike in 2019 as compared to 2018 is attributable to this project.

With the effect of the COVID-19 pandemic, marketing and selling activities were temporarily halted. Sales initially projected and anticipated were not met; thus resulting in contraction in the numbers. The reduction was amplified by the fact that pre selling activities were down during the months of March to June 2020.

With a nationwide sales network in high-growth areas of the country, coupled with global sales teams present in overseas markets with high OFW concentration, the Company's extensive sales force is well-positioned to sustain and increase the sales of SLI projects.

Experienced and dedicated management team

SLI prides itself in having a highly seasoned and respected management team with comprehensive knowledge and deep understanding of the Philippine real estate market.

The founders are recognized leaders in the real estate industry, having over 50 years of experience in conceptualizing, launching, and developing more than 250 residential, leisure, and commercial real estate projects across the country. They have been instrumental in negotiating and establishing over

100 joint venture partners, identifying growing demand in emerging cities, and expanding the Company's sales force through domestic and international marketing partnerships.

The Company complements its founders' entrepreneurship by hiring and retaining professionals with expertise in key operating functions such as finance, accounting, investor relations, human resources, internal audit, and legal. With over 300 years of combined business, management and operational experience, the SLI corporate organization is geared to support the aggressive expansion plans of the Company.

SLI is also mindful of ensuring seamless succession planning. In this respect, the Company is preparing the next generation of leaders from founding family members and professionals to steer SLI into a new phase of expansion and profitability.

BUSINESS STRATEGIES

The Company plans to drive revenue growth and increase profitability by expansion through land bank acquisition and joint venture, diversification into residential construction, improvement of recurring income, expansion of domestic and international marketing channels, and use of fresh funds to implement strategies.

The Company plans to drive earnings growth and raise shareholder value by (a) continuing its joint venture growth formula, (b) expanding its recurring income base, (c) boosting brand awareness and strengthening brand equity, (d) building master-planned and integrated communities, and (e) exploring complementary ventures and platforms.

Continue the joint venture growth formula

The Company has entered into JV agreements with landowners as part of its overall land acquisition strategy and intends to continue to do so. Under the terms of its JV agreements, the Company takes responsibility for project development, while its JV partner typically supplies the project land.

The Company will further leverage the strength of its joint venture model to launch more projects and expand its nationwide reach in a cost-efficient and risk-mitigated manner. The Company is in discussions and negotiations with various landowners for potential partnerships and expects to enter into new JV agreements to secure sites in Cavite, Cebu, Davao, Bacolod, Baler, Batangas, Iloilo, Laguna, Metro Manila, Palawan, and Rizal. The Company believes that these JVs will not only increase SLI's presence in these markets but also improve its overall income margins due to the nature of the JV business model.

On the commercial development side, the Company is exploring tie-ups with established commercial and retail players to improve the value of its commercial properties and residential projects.

Maximize return from commercial properties

The Company aims to expand its recurring income base by developing offices, malls and hotels as well as potentially entering into strategic partnerships for commercial asset management or development. The Company has completed the six-storey Sta. Lucia Business Center last third quarter of 2020, which offers 26,011 square meters of gross leasable office space with a projected annual total revenue contribution of at least ₱ 204 million. As of June 30, 2021, it is 100% leased out to a POGO for a five-year lease contract.

In addition, SLI launched its hotel lines, Sotogrande at Neopolitan 2, Sotogrande Iloilo, Santorini and Sotogrande Davao. In the last three years, the average occupancy rate of these hotels is at 27%.

As of the date of this Prospectus, there is an ongoing exterior painting of the SLEGM which will provide the mall a fresh new look, which has an average occupancy rate of 88.25% in the last three years. As an addition to its commercial leasing projects, the Company is currently constructing a mall in Davao – Sta. Lucia Davao Mall – which it expects to be completed by 2023.

SLI believes that its recurring income business will be able to deliver a target revenue share of 8% to 12% within three years, assuming occupancy rates of at least 90%.

Boost brand awareness and strengthen brand equity

SLI believes that a strong brand is vital to thrive in an evolving consumer landscape. With this in mind, the Company plans to further invest in cultivating a highly recognizable and trusted brand focused on family values and aspirations as reflected in its slogan, "Building Dreams". To improve brand building with the goal of boosting brand awareness and strengthening brand equity, the Company intends to recalibrate its marketing materials and messaging to highlight the Sta. Lucia brand. SLI plans to invest ₱350 million for marketing over the next five years to strengthen Sta. Lucia's brand equity and brand awareness. Some of the marketing strategies that are currently being implemented by the Company are as follows:

- Highlight the Sta. Lucia Brand in its projects and ensure that its logo is dominantly displayed in marketing through traditional media such as in newspapers and billboards;

- Tap brand ambassadors like as Bea Alonzo, Sta. Lucia Lady Realtors (volleyball team) and Sta. Lucia Pasig Realtors (basketball team) who can help promote the Sta. Lucia brand in their respective fields; and

- Strengthen online branding by launching a new and improved website, as well as increased social media and web presence.

The focus on brand building will help SLI be more recognizable to its existing and potential customers, translating to sustainable improvement in sales.

Build master-planned and integrated communities

The Company plans to integrate its residential and commercial offerings while introducing ancillary products to create fully integrated and master-planned subdivisions. The Company believes that its plans to integrate its core and ancillary businesses into a single platform will enable it to reap synergistic benefits by offering a complete product package instead of developing projects separately. These master-planned subdivisions will initially be introduced in Nasa Costa Cove in Nasugbu, Batangas, Phase 2 of Palo Alto in Teresa, Rizal, and Crown Residence at Harbor Springs Resort in Puerto Princesa, Palawan. SLI sees the integration of its product offerings moving forward as not only providing additional revenue but also increasing the marketability and value of its developments.

Explore complementary ventures and platforms

The Company continues to explore potential complementary businesses and platforms that could generate additional revenue streams and enhance shareholder value. In this regard, the Company plans to step up its affordable house construction services through its subsidiary, SLI Homes. With the help of the Company's database, SLI Homes will target to offer its services to lot owners in subdivisions and estates developed by the Group. This approach is characterized by -

- **Service Unmet Need of Lot Buyers.** This will address the needs of lot buyers who are willing to construct a house but are not familiar with the process. Through SLI Homes, clients will be assured that they are relying on the expertise and reliability of an established property developer.

- **Ready Market.** With 120,000 lots sold by the Group, there is an estimated market of 60,000 lots or 50% of the total lots sold.

- **Existing Relationships with Buyers.** The Company will capitalize on agents of existing lot owners who have continuing relationship with these buyers turned low owners.

- **Enhance SLI Developments**. House construction in the Company's projects would further increase the value of the developments.

- **Bank Financing.** The Company can provide assistance to potential clients in securing home loans from the Group's relationship banks.

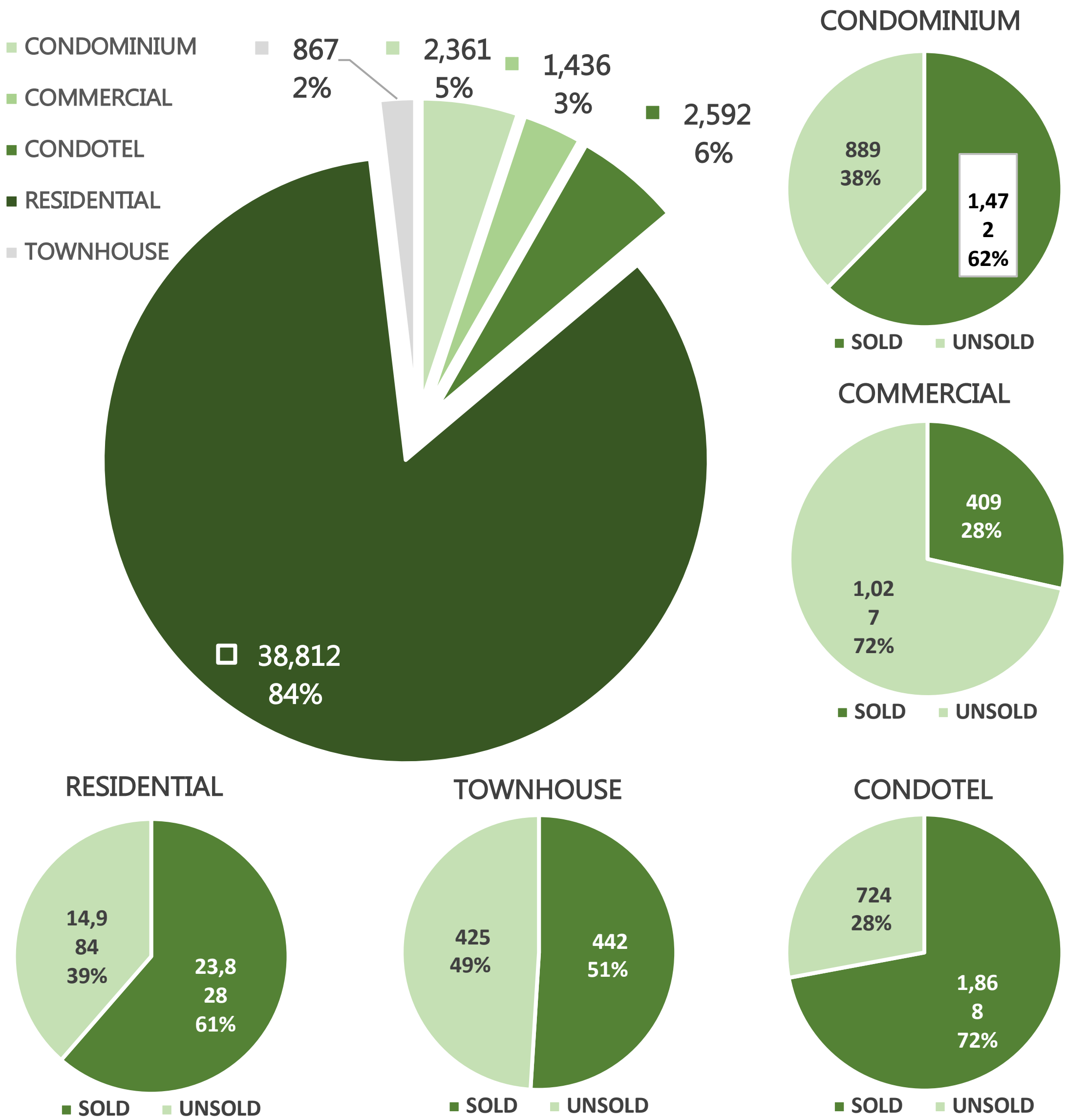
The Company is also closely monitoring regulatory and market developments with respect to real estate investment trusts ("REIT"), with particular attention to how a REIT structure for SLI's commercial assets could deliver significant shareholder value.

HORIZONTAL AND VERTICAL PROJECTS

The Company considers itself one of the country's largest real estate companies in terms of land developed. The Company has situated its developments in prime locations which are highly accessible to employment, educational, commercial and recreational facilities. The figure below summarizes the geographical distribution of the Company's projects

STA.LUCIA LAND INC.
Built to Last. A Continuing Legacy
BENGUET
1. Pinewoods (Baguio)
2. Sotogrande (Baguio)
PANGASINAN
1. Woodside Garden Ville
2. Almeria Verde
TARLAC
1. Greenmeadows (Paniqui)
2. El Pueblo Verde (Gerona)
ZAMBALES
1. Alta Vista de Subic (Wawa, Subic)
PAMPANGA
1. Bevery Place Ph.9H
NUEVA ECIJA
1. Lakewood City (Cabanatuan)
2. Greenwoods North (Gapan)
BULACAN
1. Colinas Verdes Ph.3,3A&3B (San Jose del Monte)
MANILA
1. Sierra Vista Ph.2A
PALAWAN
1. Green Peak Heights
2. Marbella
3. Catalina Lake Residences
4. Crown Residence at Harbor Springs Resort
5. Nottingham Villas
6. Soto Grande
CAVITE
1. Costa Verde (Rosario)
2. Metropolis Greens (General Trias)
3. South Fields Exe.Vill. (Imus)
4. Eagle Ridge Golf and Residential Estates (General Trias)
5. Royal Tagaytay (Alfonso)
6. Greenmeadows at The Orchard (Dasmarinas)
7. Orchard Residential Estates Ph.1A2 (Dasmarinas)
8. Rockville Residences
9. Soto Grande Ph.2 & 3 (Tagaytay)
10. Sugarland Estates (General Trias)
11. Villa Chiara (Tagaytay)
12. Luxurre Residences (Alfonso)
13. Peublo Del Sol Ph.2 (Tagaytay)
14. Mesilo Residences: Nueva Vida (Dasmarinas)
15. Aqua Mira Resort and Residences (Tanza)
LAGUNA
1. South Spring Expansion (Biñan)
2. Caliraya Springs (Lagos,Calamba)
3. Golden Meadows 2C, 2D, 2E and 2D1 (Binan)
4. La Huerta (Calamba)
5. Lakewood Ph.4 (Los Banos)
6. South Spring Expansion (Biñan)
ILOILO
1. Green Meadows Ph. 1A, Ph.2 (Pavia and Jaro)
2. Soto Grande (Pavia and Jaro)
3. Costa del Sol (Arevalo District)
4. Aldea Residences
5. Blue Ridge
6. Hacienda Verde
7. Metropolis (Bo, Tagbac, Jaro)
8. Nottingham Villas
9. Valencia Townhomes
10. Woodridge
BACOLOD
1. Manville Royale
2. La Alegria Residential Estates (Silay City)
BATANGAS
1. Catalina Lake Residences
2. Costa Verde (Alangilan)
3. Greenmeadows
4. Greenwoods South Ph.4A and 6 (Sampaga & Pollocan)
5. Nasacosta Peaks (Nasugbu)
6. Ponte Verde (Bauan)
7. South Coast
8. Summit Point (Lipa City)
9. St. Charbel (Dasmarinas)
10. Yanarra Seaside Residences
11. Splendido Taal Tower 1 & 2
12. Bauan Grand Villas (Sto. Tomas)
13. Cambridge Place Ph.1A
QUEZON CITY
1. Soto Grande (Katipunan)
2. Soto Grande Neopolitan
3. The Tribute
4. La Breza Tower
5. Sta. Barbara Royale Ph.1A
6. Neopolitan Condominium
7. Metropoli Residenzia
8. Neopolitan Business Park
9. Acropolis Loyola
PASIG CITY
1. Greenwoods Executive (Mercedes)
2. Orchard Towers
RIZAL
1. Palo Alto Ph. 1 & 2 (Baras)
2. Monte Verde (Taytay)
3. Rizal Technopark (Taytay)
4. Blue Mountains Ph. 2 (Antipolo)
5. East-Bel Air 1, 3 & 4 (Cainta)
6. Stradella (Formerly East Bel-Air 2)
7. Green Peak Heights Ph. 1, 2 and 3 (Baras)
8. Green Ridge Ph.4-A (Binangonan)
9. Hamptons Residences
10. Metropolis East (Binangonan)
11. Monte Verde Royale (Expansion)
12. Summer Hills Ph. 4A and 4B (Antipolo)
13. Santorini (Cainta)
14. Vermont Park (Expansions)
15. Greenland Newtown (Cainta)
16. Glenrose Ph.2B (Taytay)
17. Nottingham Villas (Taytay)
18. Monte Carlo (Cainta)
19. Greenwoods Executive (Taytay)
20. Greenland (Antipolo)
CEBU
1. Nivel Hills
2. Valle Verde
3. La Mirada Tower (Mactan)
4. Vista Mar Residential Estates
5. Alta Vista (Pardo)
6. Glenrose Park (Carcar)
7. Nivel Hills
DAVAO
1. South Pacific (Catalunan, Pequeno)
2. Altea at Ciudades (Davao City)
3. Centropolis (Sun City)
4. Evergreen (Panabo)
• Altezza
• Costamesa
• Monterey
• Montebello
• Sunnyvale
5. Las Colinas (Eden)
6. Los Rayos (Tagum)
7. Marbella
8. Monte Verde Ph. 1 and 2 (Digos)
9. Ponte Verde (Philippine Friendship Highway)
10. Seville
11. Soller
12. Soto Gran (Davao City)
13. Valle Verde
14. South Grove (Quimpo Blvd.)
15. Davao Riverfront
Over 40 Years
FINEST QUALITY & AFFORDABLE REAL ESTATE FOR EVERY FILIPINO...
LUZON. VISAYAS. MINDANAO.

NUMBER OF UNITS AND STATUS AS OF JUNE 30, 2021



Almost 89% of the Group's product mix is composed of horizontal residential and commercial developments. Of the whole product mix, 84% represents residential properties.

Completed Projects

As of June 30, 2021, the Company completed the development of the following projects:

PROJECT	LOCATION	SALEABLE AREA	% SOLD

Almeria Verde Ph. 1	Pangasinan	74,146.05	80.75%
Antipolo Greenland	Rizal	22,743.00	96.67%
Aqua Mira at Saddle Cluster A	Cavite	845.4	50.00%
Aqua Mira at Saddle Cluster B	Cavite	845.4	41.67%
Aqua Mira at Saddle Cluster C	Cavite	854.45	62.50%
Arterra Residences at Discovery Bay	Cebu	13,024.29	62.83%
Beverly Place Pampanga	Pampanga	295,102.00	9.78%
Cainta Greenland Ph. 3B	Rizal	22,855.00	94.23%
Cainta Greenland Ph. 3B1	Rizal	1,341.00	33.33%
Cainta Greenland Ph. 4C2	Rizal	8,151.00	100.00%
Cainta Greenland Ph. 4J1	Rizal	2,531.00	100.00%
Cainta Greenland Ph. 9C	Rizal	7,199.00	100.00%
Colinas Verdes Bulacan Ph. 3	Bulacan	28,659.16	80.23%
Colinas Verdes Bulacan Ph. 3A	Bulacan	104,141.00	92.00%
Colinas Verdes Bulacan Ph. 3B	Bulacan	19,909.00	87.61%
Catalina Lake Palawan	Palawan	146,281.00	42.50%
Costa Del Sol Ph. 1	Iloilo	18,753.00	90.63%
Crown Residence at Harbor Springs	Palawan	6,306.26	83.33%
East Bel-Air Residences Tower 1	Rizal	3,937.75	83.13%
East Bel-Air Residences Tower 3	Rizal	1,964.20	96.10%
El Pueblo Verde	Tarlac	123,758.00	61.92%
Glenrose Taytay	Rizal	17,088.00	93.62%
Grand Villas Bauan	Batangas	327,168.47	84.56%
Green Meadows Iloilo Ph. 1	Iloilo	102,114.00	91.63%
Green Meadows Tarlac	Tarlac	370,384.35	76.37%
Green Peak Heights Ph. 1	Rizal	119,143.00	87.50%
Greenland Newtown Ph. 2B	Rizal	25,154.00	79.03%
Greenland Newtown Ph. 2C	Rizal	21,865.00	98.15%
Greenridge Executive	Rizal	22,948.00	14.94%
Greenwoods Executive Ph. 2K1	Pasig/Rizal	14,616.00	100.00%
Greenwoods Executive Ph. 6S9	Pasig/Rizal	5,130.00	92.11%
Greenwoods Executive Ph. 8A1	Pasig/Rizal	5,931.00	97.62%
Greenwoods Executive Ph. 8A2	Pasig/Rizal	12,381.00	93.75%
Greenwoods Executive Ph. 8A3	Pasig/Rizal	3,778.00	100.00%
Greenwoods Executive Ph. 8A4	Pasig/Rizal	5,036.00	93.75%
Greenwoods Executive Ph. 8F3	Pasig/Rizal	2,127.00	100.00%
Greenwoods Executive Ph. 8F4	Pasig/Rizal	5,829.00	100.00%
Greenwoods Executive Ph. 8F5	Pasig/Rizal	7,793.00	97.93%
Greenwoods Executive Ph. 8G1	Pasig/Rizal	3,824.00	100.00%
Greenwoods Executive Ph. 9B1	Pasig/Rizal	1,622.00	100.00%
Greenwoods Executive Ph. 9E	Pasig/Rizal	2,251.00	100.00%
Greenwoods North Ph. 2	Gapan	25,562.00	65.56%

Greenwoods North Ph. 3	Gapan	38,631.00	96.62%
La Breza Tower	Quezon City	12,798.86	85.54%
La Mirada Tower 1	Cebu	8,718.90	62.35%
Luxurre Residences Cavite	Cavite	63,626.00	89.19%
Marbella Residences Palawan	Palawan	27,723.00	95.35%
Mesilo Residences: Nueva Vida	Cavite	1,467,547.00	92.17%
Metropolis East - Binangonan Ph. 1B	Rizal	3,042.00	100.00%
Metropolis East - Binangonan Ph. 2	Rizal	12,442.62	94.44%
Neopolitan Condominiums Tower 1	Quezon City	6,071.60	63.46%
Nottingham Villas Iloilo	Iloilo	34,294.50	60.24%
Nottingham Villas Palawan	Palawan	20,479.00	96.00%
Nottingham Villas Townhouse	Rizal	15,610.00	86.08%
Orchard Tower 1 (The Olive)	Pasig City	4,145.00	12.58%
Ponte Verde Davao Ph. 1	Davao	139,296.00	81.50%
Pueblo Del Sol Ph2	Cavite	13,950.00	68.29%
Rizal Technopark Ph. 2D1	Rizal	7,544.49	86.36%
Rizal Technopark Ph. 2F	Rizal	2,714.00	100.00%
Rizal Technopark Ph. 2G	Rizal	4,119.00	100.00%
Rizal Technopark Ph. 2S1	Rizal	892	-
Rockville Cavite	Rizal	12,384.00	86.49%
Sierra Vista Ph2A	Manila	3,535.00	100.00%
Soto Grande Hotel Davao	Davao	9,703.80	55.04%
Soto Grande Iloilo	Iloilo	4,211.39	69.62%
Soto Grande Neopolitan	Quezon City	5,280.00	58.06%
Soto Grande Ph2	Cavite	15,656.00	89.47%
Soto Grande Ph3	Cavite	14,528.00	84.62%
South Groove Davao	Davao	44,619.00	77.21%
South Spring Laguna Ph 1C	Laguna	290.01	100.00%
South Spring Laguna Ph 1C1	Laguna	3,986.00	88.00%
South Spring Laguna Ph 1C2	Laguna	7,093.00	83.67%
South Spring Laguna Ph 1D	Laguna	12,888.00	87.23%
South Spring Laguna Ph 1E	Laguna	5,568.00	100.00%
South Spring Laguna Ph 1F	Laguna	15,596.00	94.19%
Splendido Taal Tower 1	Cavite	8,987.15	62.26%
Splendido Taal Tower 2	Cavite	8,737.47	59.93%
Sta. Barbara Royale Ph.1A	Quezon City	1,349.00	100.00%
Sta. Lucia Residenze – Monte Carlo	Rizal	8,571.36	87.09%
Sta. Lucia Residenze – Santorini	Rizal	9,733.53	62.72%
Stradella (East Bel-Air Residences Tower 2)	Rizal	3,766.20	36.36%
Sugarland Estates	Cavite	281,401.08	90.67%
Summer Hills Executive Ph 4	Rizal	39,700.00	98.68%

Summer Hills Executive Ph 4A	Rizal	13,313.00	98.18%
Summer Hills Executive Ph 4B	Rizal	26,446.00	97.56%
Villa Chiara Tagaytay	Rizal	20,293.00	90.16%
Woodside Garden Village	Pangasinan	54,111	13.46%

As of June 30, 2021, SLRDI developed the following projects on the Company's parcels of lands:

PROJECT	LOCATION	YEAR COMPLETED	TOTAL SALEABLE AREA	SALEABLE AREA ASSIGNED TO SLI	% SOLD BY SLI
Alta Vista de Subic	Zambales	1998	95,109	22,021	71.64%
Alta Vista Residential Estate	Cebu	2002	141,937	25,450	22.22%
Caliraya Spring Golf Marina	Laguna	2005	296,375	84,980	0.00%
Costa Verde Cavite	Cavite	2007	81,967	16,521	82.83%
Davao Riverfront	Davao	2005	166,664	84,059	62.16%
Eagle Ridge Golf and Residential Estate	Cavite	1998	1,867,988	69,042	16.09%
Glenrose Park Cebu	Cebu	2005	48,565	14,341	93.85%
Greenwoods Pasig	Pasig City	2007	816,010	6,665	7.41%
Greenwoods South	Batangas	1998	531,029	76,732	8.64%
Lakewood City	Nueva Ecija	2003	299,617	107,084	32.53%
Manville Royale Subdivision	Negros Occidental	1997	208,790	75,497	84.24%
Metropoli Residenzia	Quezon City	2007	24,057	18,057	93.75%
Metropolis Greens	Cavite	1997	301,984	19,362	69.32%
Monte Verde Executive	Rizal	1990	374,354	50,819	100.00%
Neopolitan Estate	Quezon City	1990	362,384	69,823	88.37%
Palm Coast Marina	Manila City	2003	15,880	2,571	100.00%
Palo Alto	Rizal	2004	830,317	679,121	99.07%
Pinewoods	Benguet	-	384,389	39,336	66.18%
Pueblo Del Sol Ph1	Cavite	2008	151,245	12,246	70.00%
Rizal Technopark	Rizal	1999	208,696	36,570	86.36%
South Pacific Golf & Leisure Estate	Davao	2000	257,718	149,819	75.75%
Southfield Executive Village	Cavite	1994	81,493	28,199	88.02%
Tagaytay Royale	Cavite	1994	602,714	10,946	14.29%
Vista Mar Residential Estate	Cebu	1997	209,615	52,385	14.14%

These lots were assigned by SLRDI in favor of the Company in December 2007 in connection with its asset for share swap transaction in 2008 when SLRDI increased its stake in the Company from 20.92% to 97.22%. SLRDI subscribed to 10,000,000,000 common shares of the Company in exchange for the assignment of all its rights, title and interest to certain investment properties consisting of (i) the Sta.

Lucia East Grand Mall amounting to ₱4,710.00 million and (ii) several parcels of land amounting to ₱6,018.50 million with assumption of mortgage in the amount of ₱723.60 million in favor of the Company. This additional ₱10 billion subscription was consummated on May 20, 2008, the day SEC approved the Company's application to increase its authorized capital stock from ₱2 billion divided into 2,000,000,000 common shares to ₱16 billion divided into 16,000,000,000 common shares.

Communications on alleged violations were received from different regulatory bodies in relation to some of the above projects of SLRDI. These are:

(a) Palo Alto Phase 1
Re: Notice of Report of Alleged Violation dated July 18, 2019
HLURB Expanded NCR Regional Field Office

The Company received a Notice of Report of Alleged Violation alleging (i) incomplete development; (ii) non-functional bridge at Block 54; (ii) non-submission of sales status report and (iv) non-submission of proof of filing of proper request to the concerned Register of Deeds for the issuance of all TCTs to all saleable lot and title for open space with annotation of its uses (Blocks 21 and 119) and was ordered to (i) submit its sworn statement on why an administrative fine should not be imposed, (ii) complete the development of the project within the given time period, and (iii) rehabilitate/repair the bridge at Block 54.

The Company and SLRDI did not submit a sworn statement to the Department of Human Settlements and Urban Development ("DHSUD"), but the Company is set to submit a Manifestation as to the status of compliance and that the directive was incorrectly issued to SLI since the Palo Alto Phase 1 Project was developed by SLRDI, not SLI. SLRDI has complied with the order of developing the project by completing 95% of its development obligations in Phase 1, and that in lieu of rehabilitating the bridge located at Block 54, SLRDI has completed constructing an alternative bridge which can be used as access to Block 54. With these developments, the directive to complete the project and to rehabilitate the bridge are substantially complied with by SLRDI. As of this date, no penalty has yet been imposed against the Company nor SLRDI.

SLRDI or the Company do not expect that any administrative fine that may be imposed on SLRDI as developer will have a material adverse effect on the business operation or financial standing of SLRDI or of the Company.

(b) Pinewoods
Re: Order dated November 22, 2017
HLURB Northern Luzon Region

In 2017, the HLURB Northern Luzon Region issued an Order revoking SLRDI's Certificate of Registration and License to Sell over the Pinewoods Residential Golf & Country Estate Project for failure to show proof of Socialized Housing Compliance and failure to obey lawful notices/orders of the HLURB. SLRDI was also ordered to cease and desist from further using the subdivision's name, selling and collecting lot amortizations and to refund payments to buyers seeking therefor. The revocation order is without prejudice to the refiling of new applications for Certificate of Registration and License to Sell.

SLRDI is now in discussion with DHSUD and Rizal Commercial Banking Corporation for the proposed Participation through Investment in Socialized Housing Program under the Revised Implementing Rules of Section 18 of RA 7279. This is an alternative mode of compliance to the socialized housing requirement whereby developers are allowed to place in escrow an amount set aside for socialized housing. DHSUD will be the one to tap the services of third party socialized housing developers to implement the program.

Upon approval of this adopted mode of compliance by DHSUD, SLRDI will enter into an Escrow Agreement with DHSUD and Rizal Commercial Banking Corporation which will now be the basis for the issuance of a provisional compliance of the socialized housing requirement of DHSUD. Thereafter, a Certificate of Registration and License to Sell shall be issued in favor of SLRDI. SLRDI expects that the Certificate of Registration and License to Sell will be released, including the provisional compliance on the socialized housing requirement, approximately ten (10) months from issuance of the provisional compliance on the socialized housing requirement, and submission of the application for the issuance of the Certificate of Registration and License to Sell. Assuming that the processing of the application will not be delayed due to matters beyond the control of SLRDI, SLRDI expects to receive the Certificate of Registration and License to Sell during the 2nd to 3rd quarters of 2022.

The revocation of the Certificate of Registration and License to Sell for Pinewoods has no material adverse effect on the business, operations, and financial standing of the Company. Of the 202-hectare master planned country estate subdivision project with total saleable area of 384,389 sqm, only 68 lots with an aggregate area of 39,336 sqms were assigned to SLI. Of this, 45 lots are already sold leaving only 23 unsold lots.

(c) Pueblo del Sol Ph 1
Re: Notice of Violation dated August 16, 2013
HLURB Southern Tagalog Region

In 2013, SLRDI was issued with a notice of violation for its Pueblo Del Sol Subdivision project due to its failure to complete the development of the project within the prescribed period, and non-submission of copies of TCTs for saleable and non-saleable lots with annotations to its use. SLRDI was ordered to pay an administrative fine of Php20,000.00, to complete the development of the project, to submit copies of the TCTs, and to cease and desist from further collecting monthly amortizations from the lot buyers therein. In 2014, the HLURB amended its order, reducing the amount of the administrative fine to Php10,000.00.

Development of the project was completed in 2008. On November 16, 2013, SLRDI submitted copies of the titles of the saleable and non-saleable lots. On January 22, 2014, SLRDI paid the administrative fine and the payment for the lifting of the Cease and Desist Order. With the complete development of the project, SLRDI is currently in the process of applying for the issuance of a Certificate of Completion with the DHSUD.

The fines and penalties imposed have no material adverse effect on the business, operations and financial standing of the Company. The fines and penalties are minimal and were settled by SLRDI, the developer of the project.

(d) Southfield Executive Village Phase 1 -A
Re: Order dated September 21, 2015 and Notice of Reported Alleged Violation dated December 8, 2017
HLURB Southern Tagalog Region

There were two (2) HLURB Notices received in relation to this project. The first required SLRDI to pay a fine, to which a motion for reconsideration was submitted. Said motion was denied by HLURB on November 18, 2015. HLURB, on December 8, 2017, required SLRDI to comply. Due to the failure of the personnel previously handling the account to properly endorse the matter to management, SLRDI failed to timely comply with the HLURB's order. Such failure to comply may result to an imposition of administrative fines against SLRDI. To date, HLURB (now, DHSUD) has not issued any other directives or order in relation thereto. SLRDI has yet to pay the fine.

The other was a Notice of Reported Alleged Violation dated December 8, 2017 for failure to submit the sales status report and updated fact sheet for the project. SLRDI was ordered to submit its sworn explanation, together with the aforementioned documents. Due to the failure of the personnel previously handling the account to properly endorse the matter to management, SLRDI failed to timely comply with the HLURB's order. Such failure to comply may result to an imposition of administrative fines against SLRDI. To date, HLURB (now, DHSUD) has not issued any other directives or order in relation thereto.

For both alleged violations, SLRDI or the Company do not expect that any administrative fine that may be imposed on SLRDI as developer will have a material adverse effect on the business operation or financial standing of SLRDI or of the Company.

(e) Tagaytay Royale Phase 1
Re: Letter dated May 25, 2017 and Notice of Reported Alleged Violation dated December 4, 2017
HLURB Southern Tagalog Region

On May 25, 2017, the HLURB issued an Order against SLRDI directing it to submit its sworn comment for granting permission to erect certain buildings on an open space, in contravention of Section 31 of PD 957, as amended by PD 1216. The directive was reiterated by the HLURB in a letter dated December 4, 2017, informing SLRDI that non-compliance shall lead to the imposition of administrative sanctions.

On December 4, 2017, the HLURB issued a Notice of Reported Alleged Violation due to SLRDI's failure to submit Sales Status Report and Updated Fact Sheet. SLRDI was directed to submit its sworn explanation, together with the aforementioned documents.

In both instances, due to the failure of the personnel previously handling the account to properly endorse the matter to management, SLRDI failed to timely comply with the HLURB's order. Such failure to comply may result to an imposition of administrative fines against SLRDI. To date, HLURB (now, DHSUD) has not issued any other directives or order in relation thereto.

SLRDI or the Company do not expect that any administrative fine that may be imposed on SLRDI as developer will have a material adverse effect on the business operation or financial standing of SLRDI or of the Company

(f) Vista Mar Residential Estate
Civil Case No. 2666-L
For: Recovery for parcel of land, Lot No. 4397; declaration of deed of sale as null and void, declaration of heirs; cancellation of title issued to Aznar Brothers Realty Co., or any part thereof; restraining order and or/writ of preliminary injunction

The Heirs of Aniceto Augusto filed a complaint, assailing the validity of the sale of the Lot No. 4397, Opon Cadastre, the subject property, to Aznar Brothers Realty Co. ("ABRC"). On October 12, 2015, the Regional Trial Court ("RTC") Branch 27, Lapu-Lapu City ordered the following: (i) the Deed of Sale of Unregistered Land and distribution of Lot No. 4397, Opon Cadastre, is declared null and void ab initio to the extent of 4/5th of the whole property (57,038 square meters) (ii) TCT No. 0070 in the name of ABRC is annulled; (iii) ABRC is ordered to convey 4/5th of Lot No. 4397 to the plaintiffs; and (iv) he defendants, are ordered to pay plaintiffs, in solidum, Php100,000.00 as attorney's fees, Php100,000.00 as litigation expenses; and Php20,000.00 exemplary damages.

The case was appealed to the Court of Appeals, which initially dismissed the Petition for having been filed out of time. In its Resolution dated September 25, 2020, the Court, upon motion of the parties, reinstated the Petition and directed the respondent to file her comments.

The lot involved has been subdivided into several lots registered in the name of SLRDI and the Company, among others. SLRDI was not impleaded in this case and was only apprised of the status by ABRC, its joint venture partner for this Project after the RTC's Decision was promulgated. As there are no *lis pendens* nor adverse claims annotated on the titles prior to or after the infusion of the lots, the Company believes that it is an assignee in good faith whose titles will not be affected by the Decision or Resolution of the pending case.

Finally, while not developed on the Company's parcels of land, SLRDI, in relation to its Beverly Place Pampanga project, was ordered by the HLURB to raise the perimeter fence to a minimum height of two meters or more and to pay a P30,000.00 fine. SLRDI has improved the heights of some portions of the perimeter fence, added security personnel and street lights along the main road of the subdivision, and is in the process of completing the development of the golf course. It also paid the fine on August 18, 2015. The fine imposed has no material adverse effect on the business, operations, and financial standing of the Company as it was imposed upon SLRDI as the developer of Phases 1 to 5. SLI, on the other hand, handles/develops phases 6-E-1, 10-C and 10D of the Beverly Place Pampanga project and is responsible for securing the necessary permits as such developer. The fine imposed and the directive to raise the perimeter fence by the HLURB does not cover the areas being developed by the Company.

To prevent further lapses akin to the foregoing, SLRDI and the Company will work together to ensure that the licenses and permits for projects of SLRDI involving lands of the Company are renewed on time, and that SLRDI complies with the terms and conditions thereof.

With regard to concerns raised by customers or lot and/or unit buyers, SLRDI and the Company established in July 2020 a Customer Service ("CS") Group tasked with (i) gathering and collating all requests, complaints and other concerns (collectively, "Customer Concerns") from its customers received through email, social media (such as Facebook, Instagram), the website, and in person, (ii) relaying these Customer Concerns to the relevant departments of SLRDI or the Company, as applicable, and (iii) monitoring the actions taken to resolve them as soon as possible. Majority of these Customer Concerns pertain to request for copies of receipts or other documents relating to their purchase of property. Other concerns such as alleged collection of security and maintenance fees, issues on peace and order, water supply, garbage disposal, drainage and sewer system, and delays in the completion of amenities per approved subdivision plan as well as the socialized housing component of the project are addressed to the relevant departments of SLRDI and the Company, who are in communication with the relevant local government units, the lot and/or unit owners, the homeowners' associations and the nearby communities, where applicable.

The Company and SLRDI will continue to strive to address Customer Concerns in as fair, expedient and efficient means as possible. The Company recognizes the importance of CS in the continued growth of the business and intends to allocate a portion of the proceeds of the Offer, under the General Corporate Purposes, to strengthen the CS Group. The Company believes that a quick and efficient response to these Customer Concerns will further strengthen customer confidence on the Company, on SLRDI and their projects.

Selected Completed Projects

1. Alta Vista de Subic

Alta Vista de Subic is a residential property located in Subic, Zambales. It has a saleable area of 22,021 sqm area, with 67 lots for sale, of which 71.64% have been sold.

2. Alta Vista Residential Estate

Alta Vista Residential Estate is a residential property located in Cebu City. It has a saleable area of 25,450 sqm area, with 36 lots for sale.

3. Aqua Mira Resort (Aquamira at Saddle Clusters A, B and C)

Aqua Mira Resort & Residences (at Saddle & Clubs Leisure Park) is a site to behold in scale and grandeur located in Tanza, Cavite. Inside the 600-hectare saddle & club leisure park is the resort life. Aqua Mira C-A, C-B and C-C has a saleable area of 845 sqm, 845 sqm and 854 sqm., respectively, with 24 lots each.

4. Arterra Residences at Discovery Bay

Arterra Residences is a 20-storey residential and commercial condotel located in Lapu-Lapu City, Cebu. The project focuses on harmony with nature and is centered on elements of air and water. It covers an area of 7,000 sqm and has 339 units available for sale. The project was launched in 2012 and completed in 2017.

5. Costa del Sol Iloilo Ph 1

Costa del Sol Iloilo Ph 1 is a residential property and commercial property located in Arevalo, Iloilo City. It has 100 lots for sale, which has a saleable area of 18,753 sqm area. The project was launched in 2012 and completed in 2014.

6. Costa Verde Cavite

Costa Verde Cavite is a residential property with housing projects located in Rosario, Cavite. It has a saleable area of 16,521 sqm area, with 99 lots for sale.

7. Davao Riverfront

Davao Riverfront is a residential and commercial property located in Davao City. It has 11 residential lots for sale, which has a saleable area of 2,170 sqm area. The property also has 100 commercial lots for sale, situated on a 81,889 sqm land.

8. Eagle Ridge Golf and Residential Estate

Eagle Ridge Golf and Residential Estate is a commercial property located in Cavite. It has a saleable area of 69,042 sqm area, with 87 lots for sale.

9. East Bel- Air Residences Tower 1

East Bel-Air 1 Residences Tower 1 is a residential condominium featuring American contemporary designs located in the east of Metro Manila. It covers an area of 1.7 hectares, with 160 units sold at an average price of ₱ 71,848 per square meter. The project was launched in 2010 and completed in 2014.

10. El Pueblo Verde

El Pueblo Verde is located in the sugar central of Luzon, Gerona Tarlac with urban and agro-industrial zones. In the urban area, portions have been set aside as an agro-industrial zone and another as a light industrial zone. The town has schools, churches, clinics, parks and commercial centers. El Pueblo Verde is situated near the Gerona Municipal Hall and town center.

11. Glenrose Park Cebu

Glenrose Park Cebu is a residential property with housing projects located in Cebu City. It has a saleable area of 14,341 sqm area, with 179 lots for sale.

12. Glenrose Taytay

Glenrose Taytay is a residential property located in Taytay, Rizal. It has 60 residential lots for sale, which has a saleable area of 17,088 sqm area. The project was launched in 2013 and completed in 2015.

13.Grand Villas Bauan

Grand Villas Bauan is a residential and commercial estate located in Batangas. It covers an area of 46.7 h.a. with 32.72 h.a. available for sale. The project is comprised of a total of 843 lots, of which 84.56% have been sold as of June 30, 2021.

14. Greenland Antipolo

Greenland Antipolo is a residential community located in Antipolo City, Rizal. The project covers an area of 3.3 h.a. and is approximately eight kilometers from Metro Manila. The total project development cost was approximately ₱ 22 million. The project was launched in 2008 and was completed in 2010.Over 58 lots were sold at an average price of ₱ 5,850 per sqm.

15.Greenland Newton Ph2B

Greenland Newton Ph2B is a residential property located in San Mateo, Rizal. It has 62 residential lots for sale, which has a saleable area of 25,154 sqm area. The project was launched in 2011 and completed in 2013.

16.Greenmeadows Iloilo Ph1

Greenmeadows *Iloilo Ph1* is the first master-planned lake community in Iloilo. The project features a 5-hectare man-made lake ideal for boating, fishing, kayaking, and jet ski. The Lake Victoria Paradise Island which will be located at the middle of the lake will also provide an avenue for relaxation and recreation. The project covers an area of 102.11 h.a., with 621 lots developed selling at an average price of ₱ 5,275 per sqm. The total project development cost is estimated at ₱ 864 million. The project was launched in 2011 and completed in 2014.

17. Greenmeadows Tarlac

Greenmeadows Tarlac is a residential and commercial project located in Paniqui, Tarlac. It covers an area of 37.04 he.a., residential lots comprising 95% and commercial lots comprising 5%. The total project development cost was approximately ₱ 158 million. The project was launched in 2009 and completed in 2012. The project offered 466 residential and 25 commercial units at an average selling price of ₱ 4,300 per sqm.

18. Greenwoods Executive Ph 8A1, Ph8A2, Ph8A3, Ph8F3 and Ph9E

Greenwoods Executive is a residential estate located in Pasig City. It provides the modern convenience of a modern community with great facilities to make life easier. The aggregate area of each project is as follows:

Project	Aggregate Area (in sqm)	Lots for Sale
Ph8A1	5,931	42
Ph8A2	12,381	46
Ph8A3	3,778	22
Ph8F3	2,127	19
Ph9E	2,251	14

19. Greenwoods North

An affordable and quality residential subdivision lot located at Bayanihan, Gapan City, Nueva Ecija. Greenwoods North is a prime subdivision neighbor to Gapan City's modern City Hall right along the commercial district of Gapan City, the "Trading Center" of the south western and south eastern towns of Nueva Ecija and the northern town of Bulacan. With its landscaped entrance gate opening right along the bustling Maharlika Highway, the principal arterial network connecting Nueva Ecija to Pampanga, Zambales and the Cagayan Valley, Greenwoods North is accessible from many economic points of Central Luzon. Moreover, the construction of the Olongapo San Fernando-Gapan Road links Gapan and Greenwoods North to the Clark Special Economic Zone and the Subic Bay Freeport Zone.

20. Greenwoods Pasig

Greenwoods Pasig is a commercial property located in Pasig City. It has a saleable area of 6,665 sqm area, with six lots for sale.

21. Greenwoods South

Greenwoods South is a residential property with housing projects located in Batangas City. It has a saleable area of 76,732 sqm area, with 454 lots for sale.

22. Crown Residence at Harbor Springs

Harbor Spring is a luxury property development that is conceptualized and master planned located at Puerto Princesa, Palawan. It is conveniently located at the center of Sta. Lourdes hot springs and gateway to Honda Bay.

23. La Breza Tower

La Breza Tower is a 22-storey residential condotel located in Mother Ignacia Street, Quezon City which has 271 units available for sale. It caters to middle class employees and business owners. The total project development cost is estimated at ₱ 557 million. The project was launched in 2008 and was completed in 2011. The condotel units were sold at an average price of ₱ 90,000 per sqm.

24. La Mirada Tower 1

La Mirada Tower is a 15-storey Spanish Mediterranean-inspired residential condominium with a beachfront view located in Lapu-Lapu City, Cebu. It occupies 8,719 sqm and is comprised of 170 units which were sold at an average price of ₱ 72,000 per sqm. The total project development cost amounted to approximately ₱ 359 million.

25. Lakewood City

Lakewood City is a residential property with housing projects located in Cabanatuan. It has a saleable area of 107,084 sqm area, with 372 lots for sale, of which 32.53% have been sold.

26. Luxurre Residences

Luxurre Residences is a residential and commercial community located in Alfonso, Cavite. The community is designed with a clubhouse, basketball court, and swimming pool. Total project land area is 10.2 h.a. and 89.19% of the lots have been sold at an average price of ₱ 6,700 per sqm. The total project development cost was approximately ₱ 61 million. The project was launched in 2010 and completed in 2012.

27. Manville Royale Subdivision

Manville Royale Subdivision is a residential and commercial property located in Bacolod. It has 387 residential lots for sale, which has a saleable area of 75,497 sqm area.

28.Mesilo Residences: Nueva Vida

Mesilo Residences: Nueva Vida is a residential property located in Dasmarinas, Cavite. It has 974 residential lots for sale, which has a saleable area of 1,467,547 sqm area property. The project was launched in 2010 and completed in 2013.

29. Metropoli Residenzia

MetropoliResidenzia is a residential and commercial property located in Libis, Quezon City. It has 64 residential lots for sale, which has a saleable area of 18,057 sqm area.

30. Metropolis Greens

Metropolis Greens is a residential property with housing projects located in General Trias, Cavite. It has a saleable area of 19,362 sqm area, with 176 lots for sale.

31. Monte Verde Executive

Monte Verde Executive is a residential property with housing projects located in Taytay, Rizal. It has a saleable area of 50,819 sqm area, with 260 lots for sale.

32.Neopolitan Condominiums Tower 1

The Neopolitan Condominiums Tower 1 is a 9-storey residential condominium located in Fairview, Quezon City. It is designed as a residential project at the center of buzzing city. It covers an area of 1.2

h.a., with 208 units available for sale, of which 63.46% have been sold. The project was launched in 2012 and completed in 2015.

33.Nottingham Villas Iloilo

Nottingham Villas at Metropolis Iloilo is a collection of townhouse units designed and fitted with features, fixtures and amenities for start-up families and go-getter urban professionals who dream of getting the best of country living with a modern twist.

34.Nottingham Villas Palawan

Nottingham Villas Palawan is a collection of townhouse units designed and fitted with features, fixtures, and amenities for start-up families and go-getter urban professionals who dream of getting the best nature-inspired living with a modern twist. It is located in the exceptionally beautiful Puerto Princesa, Palawan, home to the famed world wonder, Subterranean River National Park (Underground River).

35.Nottingham Villas Townhouse

Nottingham Villas Townhouse is a residential townhouse located in Taytay, Rizal. It has 80 townhouse for sale with saleable area of 15,610 sqm. The project was launched in 2013 and completed in 2016.

36.Orchard Tower 1 (The Olive)

Orchard Tower 1 features four residential buildings surrounded by lush greenery that call to mind the wonders of nature. Orchard Tower 1 was launched in 2015 and completed in 2018.

37. Palm Coast Marina Bayside

Palm Coast Marina Bayside is a commercial property located at Roxas Boulevard, Manila. It has a saleable area of 2,571 sqm area, with two lots for sale.

38. Palo Alto

Palo Alto a residential property located in Tanay, Rizal. It has a saleable area of 679,121 sqm area, with 1,115 lots for sale.

39. Pinewoods

Pinewoods is a residential property located in Baguio City. It has a saleable area of 39,336 sqm area, with 68 lots for sale.

40. Pueblo Del Sol Ph1

Pueblo Del Sol Ph 1is a residential property located in Tagaytay City. It has a saleable area of 12,246 sqm area, with 41 lots for sale, of which 70.00% is sold.

41. Rizal Technopark

Rizal Technopark is a commercial property located in Taytay, Rizal. It has a saleable area of 12,246 36,570 sqm area, with 34 lots for sale. This project is 100.00% sold.

42. Rizal Technopark Ph2F

Rizal Technopark Ph2F is a residential property located in Taytay, Rizal. It has a saleable area of 2,714 sqm area, with nine lots for sale.

43. Sierra Vista Ph2A

Sierra Vista Ph2A is a residential property located in Caloocan City, Manila. It has 11 residential lots for sale, which has a saleable area of 3,654 sqm area. The project was launched in 2014 and completed in 2017. This project is 100.00% sold.

44. Sotogrande Iloilo

Sotogrande Iloilo is a condotel property located at the crossroads between Pavia and Jaro in Iloilo. It is ideally located for easy accessibility to business and leisure facilities. It offers a quiet retreat within the natural setting of a man-made lake and its lush green surroundings. It sits on 4,211.39 sqm and 135 lots for sale.

45. Sotogrande Ph2

Sotogrande is a Spanish-Mediterranean inspired community designed both as a vacation getaway and a permanent residence in Tagaytay. The community features a clubhouse, basketball court, and swimming pool. The Company has developed 38 lots within the project's 1.5 h.a. area, which is being offered at an average price of ₱ 9,000 per sqm. The total project development cost is estimated at ₱ 9 million. The project was launched in 2011 and completed in 2013.

46. Sotogrande Ph3

Sotogrande is a residential subdivision with a 26 hectares Spanish-Mediterranean inspired community designed both as a vacation getaway and a permanent residence located at Barrio of Mendez, Tagaytay City. It sits on 14,528 sqm area with 26 lots for sale.

47. Sotogrande Hotel Davao

Sotogrande Hotel offers both the wealth of natural wonders within a thriving metropolis and the priceless convenience of luxurious living. The name Sotogrande is derived from two Spanish words: "Soto" which means riverside grove or thicket, and "Grande" which means luxurious and majestic. With the refreshing sight of the Davao river nearby and a sprawling mountain view of greeneries everywhere. Sotogrande is true to its name in combining the beauty of nature and the luxury of modern convenience. Sotogrande is conveniently five minutes away from Davao international airport, and located near recreational facilities, malls, health facilities and other commercial establishments are nearby.

48. Sotogrande Neopolitan

Sotogrande is a 6-storey condotel poised to rise within the Neopolitan Business Park, a master-planned complex by Sta. Lucia Land in Quezon City. Located along Mindanao Avenue and Regalado Highway in Fairview, the Neopolitan Business Park is conveniently at the center of promising developments in this side of the country's capital.

49. South Grove Davao

South Grove is a residential community located in Davao which is three kilometers from the city proper. The community is designed with a clubhouse, basketball court, and swimming pool. A total of 136 lots have been developed within the project's 44.62 h.a. land area at an average price of ₱ 9,750 per sqm. The project was launched in 2011 and completed in 2013.

50. Southfield Executive Village

Southfield Executive Village is a residential property with housing projects located in Dasmarinas, Cavite. It has a saleable area of 28,199 sqm area, with 192 lots for sale.

51.South Pacific Golf & Leisure Estate

South Pacific Golf & Leisure Estate is a residential property with housing projects located in Davao City. It has a saleable area of 149,819 sqm area, with 433 lots for sale.

52. South Spring Laguna

South Spring is a first class residential subdivision along Biñan National Highway. The 50-hectare residential estate is a welcome respite from busy lives.

53. Splendido Taal Tower 1

Splendido Taal Towers is a 4-tower project located within a 1,500 sqm area in Laurel, Batangas. The first tower is an 18-storey high-rise condominium project. The project was designed to complement the Splendido Residential and Golf Course Estate. The total project development cost approximately amounted to ₱ 390 million. The project was launched in 2008 and completed in 2010. The project is comprised of a total of 212 units of which 62.26% have been sold.

54. Splendido Taal Tower 2

Splendido Taal Tower 2 is an 18-storey residential and commercial condotel within a 1,500 sqm area in Laurel, Batangas. The project was designed to complement the Splendido Residential and Golf Course Estate. The total project development cost approximately amounted to ₱ 390 million. The project was launched in 2012 and completed in 2015. The project is comprised of a total of 267 units of which 59.93% have been sold.

55. Sta. Lucia Residenze – Monte Carlo

Sta. Lucia Residenze - Monte Carlo is a 20-storey residential condominium located in Cainta, Rizal. It is an Italian inspired-tower purposely outlined in equilateral shape to preserve the scenic view of the city. It is located inside the SLEGM and has 301 units available for sale. The total project development cost is estimated at ₱ 350 million and construction was completed last 2014. The project was launched in 2011 and was completed in 2015.

56. Sta. Lucia Residenza – Santorini

Sta. Lucia Residenza - Santorini is a condotel and residential property located in Cainta, Rizal, ideal for primary home, a vacation property or a place to retire. The 5th to 15th floor function as a hotel while the condominium units at the 16th to 25th floors offer premium choices –studio, 1-bedroom and 2-bedroom units. It has a saleable area of 9,734 sqm area, with 279 lots for sale.

57. Stradella (formerly East Bel-Air 2)

Stradella is a 6-storey residential and commercial condotel located in Cainta, Rizal. The project offers convenient urban living in a suburban and elegant contemporary setting. Located within the 1 h.a. residential and commercial complex called East Bel-Air. The project was launched in 2012 and completed in 2015. The project is comprised of a total of 143 units of which 37.76% have been sold.

58. Sugarland Estates

Sugarland Estates is a residential community located in Trece Martires, Cavite surrounded by lush and verdant greenery. The total project development cost was approximately ₱75 million. The project is comprised of a total of 301 lots of which 77.36% have been sold at a selling price of ₱4,000 per sqm. since the project was launched in 2009.

59. Summer Hills Ph4

Summer Hills is a residential community located in Antipolo, Rizal. The community features a clubhouse, basketball court, and swimming pool. A total of 151 lots have been developed within the project area of 3.97 h.a. The average selling price per lot is ₱ 5,000 per sqm. The total project development cost was around ₱ 26 million. The project was launched in 2011 and completed in 2013.

60. Tagaytay Royale

Tagaytay Royale is a commercial property located in Tagaytay City. It has a saleable area of 10,946 sqm area, with seven lots for sale.

61. Villa Chiara

Villa Chiara, which covers an area of 2.03 h.a., is a residential estate located in Tagaytay City, Cavite. The project was launched in 2008 and 55 units have been sold as of June 2021 at an average price of ₱6,500 per sqm.

62. Vista Mar Residential Estate

Vista Mar Residential Estate is a residential and commercial property located in Cebu City. It has 99 residential lots for sale, which has a saleable area of 52,385 sqm area.

Ongoing Projects

The table below summarizes the Company's ongoing development projects as of June 30, 2021:

PROJECT	LOCATION	SALEABLE AREA	% SOLD	POC
Acropolis Loyola	Quezon City	173,516.00	43.80%	95.49%
Aldea at Monterosa	Iloilo	36,276	53.66%	93.79%
Almeria Verde Ph. 1A	Pangasinan	3,825.00	51.85%	62.16%
Alta Vista Ph. 1 & 1A	Cavite	22,000.00	71.64%	40.19%
Altea Ciudades Davao	Davao	46,229.00	87.32%	99.00%
Altezza @ Evergreen Panabo	Davao	14,318.00	-	14.00%
Beverly Place Ph. 6E1	Pampanga	27,255.00	21.43%	49.79%
Beverly Place Ph. 10C	Pampanga	49,195.00	10.54%	45.22%
Beverly Place Ph. 10D	Pampanga	37,053.00	1.49%	45.23%
Blue Mountains Comml & Res Est	Rizal	13,598.00	73.61%	98.23%
Blue Ridge At Monterosa	Iloilo	12,206.00	29.55%	93.79%
Cainta Greenland Ph. 4C1	Rizal	1,759.00	100.00%	99.72%
Cambridge Place Batangas	Batangas	115.22	100.00%	84.80%
Catalina Lake Bauan	Batangas	320,777.00	44.63%	88.594%
Centro Verde	Laguna	97,612.00	22.67%	49.01%
Club Morocco	Zambales	21,000.00	-	77.17%
Colinas Verdes Bulacan Ph. 1A	Bulacan	194,283.90	96.66%	93.79%
Colinas Verdes Bulacan Estate Lots	Bulacan	148,972.16	27.08%	98.42%
Costa Mesa @ Evergreen Panabo	Davao	15,454.00	17.20%	43.00%
Costa Verde Alangilan	Batangas	20,537.00	86.21%	96.07%
East Bel-Air Residences Ph. 4	Rizal	3,901.20	100.00%	95.00%
El Sitio Nativo	Batangas	20,000.00	-	19.52%
Golden Meadows Binan Ph. 2C	Laguna	33,429.75	94.40%	98.48%
Golden Meadows Palawan	Palawan	30,000.00	-	8.52%
Golden Meadows Sta Rosa Ph. 1A & 1B	Laguna	49,286.00	7.47%	60.48%
Golden Meadows Sta Rosa Ph. 2E	Laguna	43,922.00	89.14%	93.96%
Green Meadows Bauan Batangas Ph. 1A & 1B	Batangas	49,286.00	747%	76.04%

Green Meadows Dasmarinas Ph. 2	Cavite	53,510.00	95.54%	99.93%
Green Meadows Dasmarinas Ph. 2A	Cavite	6,676.00	100.00%	90.00%
Green Meadows Digos	Davao	40,000.00	85.71%	87.00%
Green Meadows Iloilo Ph. 2	Iloilo	104,225.14	98.25%	99.60%
Green Meadows Iloilo Ph. 3	Iloilo	128,661.00	98.02%	67.84%
Green Peak Heights Ph. 2	Rizal	40,130.00	83.00%	76.19%
Green Peak Heights Ph. 3	Rizal	81,085.00	59.54%	7.11%
Green Peak Palawan Ph. 1	Palawan	38,050.00	87.01%	93.00%
Green Peak Palawan Ph. 2	Palawan	38,050.00	88.14%	11.33%
Greenridge Executive Ph. 4B	Rizal	22,281.00	90.79%	93.12%
Greenwoods Executive Ph. 1A2	Pasig/Rizal	6,665.00	100.00%	99.57%
Greenwoods Executive Ph. 540	Pasig/Rizal	1,000.00	100.00%	88.00%
Greenwoods Executive Ph. 8D6	Pasig/Rizal	872.00	100.00%	76.11%
Greenwoods Executive Ph. 8D7	Pasig/Rizal	884.00	80.00%	94.54%
Greenwoods Executive Ph. 8F6	Pasig/Rizal	5,668.00	100.00%	95.43%
Greenwoods Executive Ph. 9D1	Pasig/Rizal	1,454.00	100.00%	94.73%
Greenwoods Executive Ph. 9F	Pasig/Rizal	2,921.00	100.00%	99.26%
Greenwoods South Ph. 4A	Batangas	31,950.00	3.90%	96.84%
Hacienda Verde Iloilo	Iloilo	259,428.00	12.71%	92.78%
Hamptons Residences Angono	Rizal	18,909.50	91.26%	99.11%
Industrial Estates (Solana)	Tagum City	20,000.00	-	19.00%
La Alegria Negros Occidental	Bacolod City	232,437.00	54.88%	93.69%
La Huerta Calamba Ph. 1	Laguna	95,855.00	41.82%	98.39%
La Huerta Calamba Ph. 2	Laguna	125,582.00	59.66%	98.39%
La Mirada Royale Ph. 1A-1	Bulacan	21,000.00	71.43%	50.10%
La Mirada Royale Ph. 1C	Bulacan	23,000.00	3.13%	52.89%
Las Colinas @ Eden	Davao	500,637.00	44.12%	75.00%
Las Terrazas	Iloilo	22,511.00	-	28.45%
Los Rayos Tagum	Tagum City	106,328.00	48.58%	77.00%
Marbella Davao	Davao	36,130.00	93.75%	21.00%
Marbella Lake Residenses	Laguna	356,042.00	4.48%	58.71%
Metropolis East - Binangonan Ph. 1D	Rizal	1,023.00	-	98.93%
Metropolis East - Binangonan Ph. 2A	Rizal	2,137.00	100.00%	99.53%
Metrosouth Townhouse	Cavite	25,000.00	100.00%	49.26%
Mira Verde Bulacan Ph. 3 & 3A	Bulacan	21,639.00	27.81%	86.00%
Monte Verde Davao Ph. 1	Davao	47,977.00	77.66%	83.00%
Monte Verde Davao Ph. 2	Davao	3,176.00	66.67%	80.00%
Monte Verde Davao Ph. 3	Davao	27,778.00	33.33%	50.00%
Monte Verde Davao Ph. 4	Davao	43,977.00	-	23.00%
Monte Verde East	Rizal	45,797.00	84.29%	18.27%
Monte Verde Executive Ph. 4C	Rizal	50,594.00	100.00%	98.64%
Montebello @ Evegreen Panabo	Davao	88,993.00	5.41%	54.00%
Monterey @ Evergreen Panabo	Davao	48,187.00	33.91%	46.00%
Nasacosta Cove Batangas	Batangas	104,774.00	72.00%	96.31%
Nascosta Peak Batangas	Batangas	7,008.00	86.30%	10.00%

Nivel Hills Cebu	Cebu	18,504.51	38.65%	10.00%
Orchard Res Estate & Golf C C Ph. 5B	Cavite	8,194.00	70.59%	49.46%
Oakland Residences Ph. 1	Davao	72,049.00	-	28.00%
Oakland Residences Ph. 1A	Davao	6,079.00	-	17.00%
Orchard Residential Davao	Digos City	12,226.00	28.42%	93.00%
Oro Vista Grande	Rizal	10,500.00	-	93.87%
Palo Alto Executive Village Ph. 2	Rizal	102,753.00	99.07%	99.98%
Palo Alto Executive Village Ph. 3	Rizal	80,585.00	97.17%	76.349%
Ponte Verde Davao Ph. 2	Davao	20,334.00	75.40%	99.00%
Ponte Verde Davao Ph. 3	Davao	4,832.00	-	95.00%
Ponte Verde Davao Ph. 4	Davao	3,531.00	-	3.00%
Ponte Verde De Sto Tomas Batangas Ph. 5	Batangas	12,191.00	97.50%	96.00%
Ponte Verde De Sto Tomas Batangas Ph. 03A	Batangas	2,437.00	100.00%	37.00%
Ponte Verde Matanao Ph. 1	Davao	8,500.00	-	26.00%
Ponte Verde Matanao Ph. 1A	Davao	6,500.00	-	16.00%
Ponte Verde Pililla	Rizal	137,831.00	96.51%	24.08%
Seville Davao	Davao	10,000.00	-	90.00%
Sta. Lucia Residenze – Madrid	Rizal	2,061.00	92.31%	30.00%
Soller Mandug Davao	Davao	243,680.00	63.51%	96.00%
Sonoma Place	Palawan	6,500.00	-	24.29%
Sotogrance Tomas Morato Condotel	Quezon City	6,500.00	-	5.16%
Sotogrande Baguio Ph. 1	Baguio City	5,412.47	89.62%	30.49%
Sotogrande Baguio Ph. 2	Baguio City	5,300.91	97.88%	30.49%
Sotogrande Iloilo Ph. 2	Iloilo	3,700.60	95.65%	88.00%
Sotogrande Katipunan	Quezon City	9,167.53	44.33%	98.17%
Sotogrande Palawan Ph. 1	Palawan	5,208.10	91.17%	80.00%
South Coast Batangas Ph. 1	Batangas	195,593.00	73.93%	57.43%
South Coast Batangas Ph. 1A	Batangas	105,375.00	63.05%	76.61%
Spring Oaks Residence Ph. 4	Laguna	122,732.00	85.66%	64.20%
St. Charbel Dasmarinas Ph. 3	Cavite	144,161.00	81.58%	65.65%
Summit Point Golf & Res Estate Ph. 3	Batangas	129,310.00	42.71%	99.97%
Summit Point Golf & Res Estate Ph. 3A	Batangas	121,450.00	96.63%	99.97%
Summit Point Golf & Res Estate Ph. 3B	Batangas	23,405.00	71.81%	99.97%
Summit Point Golf & Res Estate Ph. 3C	Batangas	7,948.00	64.81%	99.97%
Summit Point Golf & Res Estate Ph. 3D	Batangas	27,564.00	96.02%	99.97%
Summit Point Golf & Res Estate Ph. 3E	Batangas	26,472.05	41.85%	99.97%
Summit Point Golf & Res Estate Ph. 4	Batangas	129,310.00	63.54%	31.92%
Sunnyvale @ Evergreen Panabo	Davao	44,394.00	1.29%	14.00%
Tierra Verde	Digos City	6,500.00	-	32.64%
Valencia Homes	Palawan	3,274.00	-	35.99%
Valencia Townhomes at Monterosa	Iloilo	1,960.00	-	93.79%
Valle Verde Davao Ph. 1	Davao	64,764.00	95.70%	99.00%
Valley View Executive Ph. 2D	Rizal	1,484.00	100.00%	59.99%
Wood Ridge Iloilo	Iloilo	27,985.00	9636%	99.14%

Yanarra Seaside Residences Ph. 1A	Batangas	26,673.00	35.19%	95.59%
Yanarra Seaside Residences Ph. 2A	Batangas	45,610.00	33.67%	53.34%

Selected Ongoing Development Projects

1. Acropolis Loyola

Nestled at the rolling hills of Quezon City and bordering the panoramic view of Marikina Valley, Acropolis Loyola offer unprecedented Metro Manila living. Average size of lots is 300 sqm, selling at an average price of ₱ 65,000 per sqm.

2. Almeria Verde Ph1A

Named after the resort town of Almeria in Spain, Almeria Verde exemplifies the idyllic suburban lifestyle of a river side community. With spacious lots and elegant home designs to choose from, it offers high-end living in a secure, conveniently-located, self-contained neighborhood in the heart of Pangasinan. Almeria Verde is cut for growing families who wish to own an elegant home within a spacious lot. It is perfect for families who love the great outdoors as this community is well-equipped with a basketball court, clubhouse, swimming pool, playground, and landscaped open spaces. It paints a picture of serenity framed by the Agno River and beaches along the Lingayen Gulf.

3. Altea Ciudades Davao

Altea is a proud fusion of the traditional and the modern with accents of elegance and luxury located in Mandug, Davao City. The greatest pleasures of life are a privilege in this 8-hectare residential haven with affordable 100 sqm lots ensuring value of money yet owning a promising property. Altea offers an improved quality of life in an exciting variety with the development of adjoining complementary features. Ciudades introduces El Centro, a 12-hectare luxuriant natural splendor complemented by areas for education, sports, wellness and retail.

4. Blue Mountains Ph.2

Blue Mountains come in an excellent integration of residential and commercial development features located in Antipolo City.

5. Cainta Greenland

A prime residential community nestled at the bustling area of eastern Metro Manila. Cainta Greenland Executive Village is complete with the facilities of a modern community that caters to basic and recreational needs.

6. Catalina Lake Residences Bauan

Catalina Lake Residences is a bold collection of contemporary and Spanish Mediterranean residences and archetypal lake houses. Situated at the heart of Bauan Batangas, Catalina Lake Residences is a series of relaxing lakeside homes designed to take the mind off the city hustles. Each residence is fashioned from modishly intricate interiors and tailor fitted style topped with breathtaking views.

7. Catalina Lake Residences Palawan

Lake Catalina is a 35-minute drive from Puerto Princesa International Airport. It has a clubhouse, basketball court, resort-style swimming pool and picture-perfect lighthouse. Commercial lots are also available for those who wish to set-up shops for new business ventures.

8. Colinas Verdes Estate Lots

Colinas Verde is a master-planned community located in San Jose Del Monte, Bulacan with first-class amenities such as the Colinas Verdes Country Club, which is the first country club in the area. The community is designed with a clubhouse, basketball court and swimming pool. It covers an area of 14.9 h.a., with 137 lots developed selling at an average price of ₱ 8,000 per sqm. The total project development cost was around ₱ 311 million.

9. Costa Verde Alangilan

Costa Verde is a master-planned residential and commercial estates strategically located in Bgy. Bolbok and Alanganin, Batangas City and will rise as the new center of growth and haven of profitable stability. A heightened living standard of perfection with community perks and amenities reserved for top class residents.

10. Golden Meadows Binan

Golden Meadow Binan is one of Sta. Lucia quality projects with a community that exudes the warmth, joy and love of family located at Sta. Rosa, Laguna. Golden Meadow Binanis crested with recreational facilities, tall pine trees, and lush vegetation.

11. Greenmeadows at the Orchard Ph2 and Ph2A

Located in the progressive city of Dasmariñas, Cavite, Green Meadows brings the best of natures as well as modern comforts within the reach. As a first class city, Dasmariñas is both a center for commerce and an industrial hub. Residents of Green Meadows can find all the essentials and conveniences, of city living just a few minutes' drive from home. Green Meadows Residential Estates is nestled within the rolling terrain of the Orchard Golf and Country Club. This scenic and serene haven has been designated as a bird and wildlife sanctuary, with its teeming foliage and various species of birds.

12. Greenmeadows Iloilo Ph2 and Ph3

Green Meadows is Iloilo's first lake community. Located within the outskirt towns of Pavia and Jaro, Green Meadows is designed around Lake Victoria, a 5-hectare man-made lake that provides a tranquil setting is the inspiration for gatherings, celebrations, and good old family fun.

13. Greenwoods Executive

Greenwoods Executive is a residential estate located in Pasig City. It provides the modern convenience of a modern community with great facilities to make life easier.

14. Green Peak Heights

Be at home with nature at Green Peak Heights. Nestled in the town of Baras in Rizal, the 29-hectare Green Peak Heights is 30 minutes away from the Greater Manila Area.

15. Green Peak Heights Palawan

Green Peak Heights is located at Sta. Lourdes, Puerto Princesa, with a calming view of the sea and easy access to many kinds of tropical getaways.

16. Hacienda Verde Iloilo

Hacienda Verde is a premiere township development set on 125 h.a. of land that is lush and lively, progressive, while remaining rich in history. It captures beautifully the past and present to create a picture of a future that can only be found within our township.

17. Hamptons Residences

The Hamptons place location for both work and play and a laid back sanctuary for relaxation located at Angono, Rizal.

18. La Alegria Residential Estates

La Alegria is at the heart of Silay City, Negros Occidental. In the humble city of Silay, Negros Occidental, La Alegria prides itself as the only lake residential community.

19. Las Colinas Davao

Las Colinas is located just off the Bayabas-Eden Road in Toril, Davao City. With the property's scenic mountain views, cooler climate and fresh air, future residents are guaranteed to enjoy a rejuvenating and calming ambience, that will allow them to enjoy with ease some quality time with their loved ones.

20. Los Rayos Lake Residences

Los Rayos Lake Residences is an exquisite residential retreat, with a lush mangrove forest, Philippine hardwood trees, plus a four kilometer stretch of white sand beach all within reach in Los Rayos. Los Rayos Lake Residences located in Tagum City, Davao Del Norte. The 37-hectare residential development is accessible to numerous key establishments such as shopping malls, schools, restaurants, plantations and eco parks. It is built around a central lake surrounded by the lush greenery of Davao. The 4-hectare lake area is the centerpiece of Los Rayos.

21. Metropolis Iloilo

Metropolis Iloilo is a residential and commercial estate. It is strategically located in Brgy. Tagbac, between the McArthur National Hi-way, Jaro, Iloilo City and the Coastal Hi-way, Bitoon, Jaro, Iloilo City. It is considered as one of the premiere residential and commercial estates of Iloilo. Metropolis Iloilo is a unique modern complex blending modern conveniences such as a commercial complex, a bus terminal, a school, and a world of recreation, with the enchanting countryside setting.

22. Nasa Costa Cove

A beachside resort-residential development located in Brgy. Natipuan, Nasugbu, Batangas along a strip of carved beachfront adjacent to high-end developments. Approximately 102 kilometers south of Metro Manila. All lots at Phase 1 are within walking distance to the beach.

23. Spring Oaks Residence

Lakewood resort residential estates Los Baños is a 42-hectare master-planned community located in Los Baños, Laguna, a town known for its mountain views and hot springs. Designed as a resort cum residential subdivision, Lakewood provides a breathtaking view of Mt. Makiling on one side and an enchanted lake view on the other side. Beyond its walls are an abundant array of resorts, restaurants, fresh fruit stands, garden landscaping and other specialty shops.

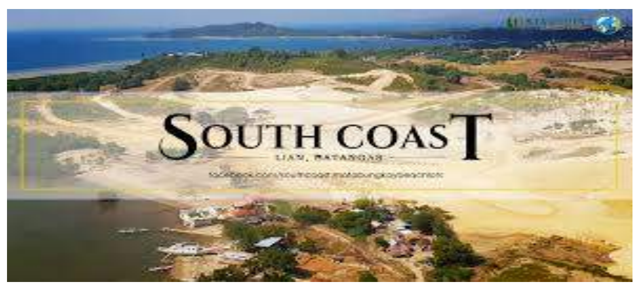
24. Soller Davao

Down South in Davao, the idyllic Soller Residences is the place to be. Davao City, being among the safest cities in the country, is also home to the finest eco-adventure facilities and a hearty environment. It serves as the perfect backdrop for startup families who are starting small but betting on big dreams. The Soller Residences is located within Ciudades, Davao's first mixed-use and self-sufficient community. Soller Residences offer top-notch amenities such as a community clubhouse, multipurpose function hall, children's playground, swimming pool, bike trails and basketball court.

25. Soto Grande Katipunan

Soto Grande's residential units - hugging the sky from the 17^{th} to the 22^{nd} floors - will be created to become among the finest places to live or stay within the confluence of the three cities that make up Metro Manila's most dynamic and progressive hubs - Quezon City, Pasig and Marikina. In 23 of its exquisite and very select units, Sotogrande has created its "Condotel Suites" - a line of studio and 2 bedroom serviced residences that allow long-staying guests to enjoy the space, breadth, and privacy of their own home, while being gifted with the care, service, and luxury of a hotel. The Condotel Suites are perfect second homes or sanctuaries from the stresses of long travel and work, where the comfort and refuge of home are coupled with first class hotel pampering and amenities.

26. South Coast



South Coast is an integrated recreational, sports, residential community with ecological nature at its best. It is located at Lian, Batangas.

27. Valle Verde Davao

Experience the southern getaway every day at Valle Verde. Valle Verde Residential Estates is located at Panacan, Davao City.

28. Woodridge Iloilo

Woodridge Iloilo is located at Metropolis Drive, Bitoon, Jaro, Iloilo. It is accessible in coastal road and National Road.

29. Woodside Garden Ville

The Woodside Garden Ville is located at Urdaneta, Pangasinan. The Woodside Garden Village is designed to be a blend of nature's color and texture. The landscape and tree-lined roads complement its American-Californian theme, natural and picturesque in character. Form and function is combined to achieve appealing pocket parks for the family to enjoy. The Woodside Garden Village takes pride in having the finest clubhouse development in Pangasinan. It boasts of a fully-airconditioned multi-purpose hall, a junior Olympic-sized pool, a kiddie pool, tennis and basketball courts, kiosks and trellises, parks and playgrounds.

Future Projects

The Company plans to expand, should the market conditions permit, in the following projects, but not limited to:

1. Orchard Towers
2. Splendido Towers
3. Sta. Lucia Residences
4. East-bel Air Residences
5. Neopolitan Condominiums
6. Monte Verde Digos Expansion
7. Ponte Verde Davao Expansion
8. Nasacosta Batangas Expansion
9. Valle Verde Cebu
10. La Mirada Tower 2
11. Greenridge Expansion
12. Lipa Royale Expansion
13. South Spring Expansion
14. Greenwoods Executive Expansion

Patents, Trademark and Copyrights

As of the date hereof, the Company has registered the following trademark:

Design mark/ logo	Registration No.	Trademark	Status	ExpirationDate
STA.LUCIA LAND INC.	4/2020/00502228	Sta. Lucia Land, Inc.	Registered February 21, 2021	February 21, 2031

The above trademark is important because name recognition and exclusivity of use are contributing factors to the success of the Company's development. In the Philippines, certificates of registration of a trademark issued by the Intellectual Property Office are generally effective for a period of 10 years, unless terminated earlier.

The Company is also the owner of one domain name: www.stalucialand.com.ph.

Transactions with and/or Dependence on Related Parties

The Company, in its ordinary course of business, enters into transactions with related parties and affiliates. These transactions include advances and reimbursement of expenses. These accounts are noninterest-bearing and are generally unsecured. The outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Additional information on related party transactions are in the Notes to the Audited Financial Statements of the Company attached hereto and incorporated herein by reference.

For information on Transactions with and/or Dependence on Related Parties, see the section "Related Party Transactions" on page [217] of this Prospectus.

Government Approvals and Permits

The Company has obtained and will obtain all such necessary and desirable government permits, consents, and authorizations that may be required for the conduct and continuance of its business.

These permits and approvals include, but are not limited to, the environmental compliance certificates or certificates of non-coverage, development permits, department of agrarian reform conversions, and licenses to sell. In addition, the Company and its subsidiaries intend to continue to comply, in all material respects, with applicable regulations and law which govern its various businesses.

At present, the licenses and permits of the Company and its projects are:

1. **Securities and Exchange Commission (SEC)**
   SEC Registration No. 0000031050

2. **Bureau of Internal Revenue (BIR)**

OCN	Address	Date of Issue	TIN
8RC0000053519	Penthouse Bldg 3 Sta Lucia Mall, Marcos Highway corner Imelda Avenue Cainta Rizal	Updated on 7 October 2014	000-152-291-000
8RC9999782366E	Level 2-0277 National Hi-Way Robinsons Place Barangay, San Manuel, Puerto Princesa, Palawan	6 March 2017	000-152-291-00007
8RC0000576849	Unit 160 16th Floor Landco Corporate Center, JP Laurel Ave., Barangay 190B (POB), Davao City, Davao Del Sur	1 July 2016	000-152-291-00004
8RC000454067	ATM Business Center 3rd Floor Jalandoni-Ledesma St. Gloria, Iloilo City, Iloilo	7 April 2016	000-152-291-00003

3. **Local Government Units (Business Permits)**

Permit No.	Industry	Place of Issue	Date of Issue	Date of Expiration
2021-6615	Real Estate Developer	Municipality of Cainta, Rizal	June 22, 2021	December 31, 2021
Official Receipt No. 2015725	Real Estate Developer	City of Cebu	February 10, 2021	
B-137949-9	Real Estate Developer	City of Davao	July 21, 2021	December 31, 2021
C-2021-0691	Real Estate Developer/ Dealer	City of Iloilo	January 15, 2021	December 31, 2021

2021-0885	Services (Real Estate Lessor)	Municipality of Pavia, Iloilo	January 20, 2021	December 31, 2021
BP-2021-07324-0	Real Estate Developer	City of Puerto Princesa	January 27, 2021	December 31, 2021
4542	Real Estate Developer	City of Digos	June 18, 2021	December 31, 2021

4. **Social Security System (SSS)**
SLI is registered with the SSS with Employer ID No. 03-9217072-9 as indicated in the Employer Registration issued on May 2, 2008.

5. **Philippine Health Insurance Corporation (PhilHealth)**
SLI is registered with the Philhealth as Employer No. 003000011976 as indicated in its Certificate of Registration dated June 26, 2008.

6. **Home Development Mutual Fund (HDMF)**
SLI is registered with the HDMF with Employer No. 800166932018 as indicated in the Certificate of Employer's Registration dated June 15, 2007.

7. **National Privacy Commission (NPC)**
SLI is registered with the NPC with registration No.PIC-001-295-2019 as indicated in the Certificate of Registration effective until March 8, 2020.

8. **Department of Environment Natural Resources (DENR)**
The Company is issued with Environmental Compliance Certificates or Certificate of Non-Coverage by DENR.

Environment Compliance Certificate

ECC No.	Name of Project	Location	Date of Issue
NCR-2018-0134	Acropolis Loyola (Quezon City)	Brgy. Pansol, Quezon City	25 June 2018
NCR-2018-0174	Acropolis Loyola (Marikina City)	Brgy. Tumana, Marikina City	9 August 2018
R03-1102-0084	Colinas Verde Ph.3,3A&3B – Expansion Project	Brgy. Tungkong Mangga, City of San Jose Del Monte	7 April 2011
R4-1505-0321	Costa Verde Project	Brgys. Bolbok and Alangilan, Batangas City	7 May 2015
R03-1105-0204	Proposed Residential and Commercial Subdivision Project (El Pueblo Verde)	Brgys. San Antonio, Abagon and Poblacion, Gerona, Tarlac	3 June 2011
R4A-1501-0058	Golden Meadow 2-C Project	Brgy. Sinalhan, Sta. Rosa City	20 March 2015

R4-1303-0166	Greenland Newtown Phase 2-C Subdivision Project	Brgy. Banaba (Nangka), San Mateo, Rizal	27 March 2013
03NE 0710 12 5170212A	Anamel Village - Phase III (Greenwoods North Phase 3)	Brgy. San Nicolas, City of Gapan	17 October 2007
R4A-1404-0231	Green Peak Heights Project	Brgy. Pinugay, Baras, Rizal	22 December 2014
ECC-OL-R4B-2020-0190	Green Peak Heights Project Phase 2 (Green Peak Heights Palawan)	Brgy. Sta. Lourdes, Puerto Princesa City, Palawan	27 September 2020
LDBW-0811-167-2019	La Huerta Project consisting of 2-phase land development	Brgy. La Huerta, Calamba City, Laguna	5 February 2009
4A-2003-714-211	Palo Alto Leisure and Residential Estate Project	Brgy. Pinugay, Baras, Rizal	25 July 2003
R11-2017-0037	Valle Verde Residential Estate Subdivision	Brgy. Panacan, Bunawan District, Davao City	23 February 2017
11-2001-2210-181	On-going business project (Sotogrande Davao)	Brgy. Ma-a, Talomo District, Davao City	12 February 2014
R11-1003-0047	Ponte Verde Subdivision	Brgy. Sasa, Buhangin District, Davao City	28 April 2017
R4B-2015-0006	Nottingham Villas Project	Brgy. San Pedro, Puerto Princesa, Palawan	1 October 2015
R4A-08111-439-8410	Subdivision Development Project (Nasa Costa)	Brgy. Natipuan, Nasugbu, Batangas	8 January 2019
R4A-1311-0731	Greenwoods Executive Village Phases 2k1, 6 Section 9 & 10, 8G1, 9E and 9F Project	Brgys. Magsiay and San Juan, Cainta and Barangays Sta. Ana and San Juan, Taytay Rizal	23 December 2013
R4A-1405-0240	Vermont 4-I Project	Macros Highway, Brgy. Mayamot, Antipolo City, Rizal	4 August 2014
R01-2015-0050	Almeria Verde Delux Suburban Homes	Brgy. Bolosan, Dagupan City, Pangasinan	18 December 2015
ECC-R11-1606-0007	Las Colinas Leisure Farm Tourism Development Project	Brgy. Eden, Toril District, Davao City	16 June 2016
ECC-OL-R4A-2021-0056	Catalina Lake Residences (Area B) Project	Brgy. Balayong and Manghinao 1, Bauan Batangas	7 February 2021
ECC-OL-R4B-2021-0021	Catalina Lake Residences – 2 Project	Brgy. Tagburos, Puerto Princesa City, Palawan	31 January 2021

ECC-OL-R4A-2021-0216	Catalina Residences Condominium Project	Brgy. Manghinao 1, Bauan, Batangas	26 April 2021
ECC-OL-R4A-2021-0104	Centro Verde Subdivision Project	Brgy. Bucal, Calamba,Laguna	7 February 2021
ECC-OL-R4B-20210039	Golden Meadows Residential Subdivision Project	Brgy. Sta. Lourdes, Puerto Princesa, City, Palawan	21 March 2021
ECC-OL-R4A-2021-027	Green Ridge 4-B Project	Brgy. Palangoy, Binangonan, Rizal	14 April 2021
ECC-OL-R4A-2020-0481	Marbella Lake Residences Phase 1 Project	Brg.y Masapang (San Benito), Victoria, Laguna	20 October 2020
ECC-OL-R4B-2020-0048	Marbella Residential Subdivision with Expansion	Socrates Rd., Brgy. San Pedro, Puerto Princesa City, Palawan	3 March 2020
ECC-OL-R03-2020-0241	Mira Verde 3 and 3A Project	Brgy. Panginay and Tuktukan, Guiguinto, Bulacan	9 June 2020
ECC-OL-R4A—2017-0588	Ponte Verde de Sto. Tomas 5 Project	Brgy. Santiago, Santo Tomas, Batangas	14 December 2017
ECC-OL-R4A-2020-0215	Ponte Verde Phase 1, 1-A, 1-B and 1-C Project	Brgy. Halayhayin, Pililia, Rizal	16 June 2020
ECC-OL-R4B-2021-0030	Sonoma Place – Residential Subdivision Project	Brgy. San Jose, Puerto Princesa City, Palawan	23 February 2021
ECC-OL-R4A-2020-0393	St. Charbel South Phase 3 (Area 2) Project	Brgy. Sampaloc 4, Dasmarinas Cavite	9 September 2020
ECC-OL-R03-2021-0287	Sycamore Village Project	Brgy. Sabanilla and Masamal, Mexico, Pampanga	14 May 2021
R03-05272021-5098	La Reserva Pacifica	Brgy. Reserve, Baler, Aurora	28 May 2021

Certificate of Non-Coverage

CNC NO.	NAME OF PROJECT	LOCATION	DATE OF ISSUE
CNC-R03-1206-0015	Greenwoods North Phase 2	Brgy. Cristo Norte, Gapan, Nueva Ecija	12 June 2012
CNC-OL-R4A-2020-09-05311	Rockville Project	Brgy. Kaytitinga, Alfonso, Cavite, R4A	10 September 2020
CNC-OL-R4B-2020-07-00661	Valencia Homes	Bancao Bancao, Puerto Princesa City, Palawan, R4B	8 July 2020

CNC-OL-R4A-2021-03-02016	Greenwoods Executive Village 8-F-3 Project	Brgy. Sta. Ana, Taytay, Rizal Province, R4A	19 March 2021
CNC-OL-R4A-2021-03-02017	Greenwoods Executive Village 8-F-4 Project	Brgy. Sta. Ana, Taytay, Rizal Province, R4A	19 March 2021

9. Local Government Units (Development Permits)

Permit No.	Name of Developer	Name of Project	Location	Type	Date of Issue
PRD-18-0870-H	Sta. Lucia Land, Inc.	Acropolis Loyola	Pansol, Quezon City	Subdivision	13 November 2018
3-2018	Sta. Lucia Land, Inc. and Subsidiaries	Acropolis Loyola	Brgy. Tumana, Marikina City	Subdivision	19 July 2018
2011-03-005	Sta. Lucia Realty and Development, Inc.	Colinas Verdes Phase 3, 3-A & 3-B	Brgy. Tungkong Mangga, City of San Jose	Subdivision	13 September 2011
15-10-0065	Sta. Lucia Land, Inc.	Costa Verde Project	Brgys. Bolbok and Alangilan, Batangas City	Subdivision	3 November 2015
02-12	Sta. Lucia Land, Inc.	Residential and Commercial Subdivision (El Pueblo Verde)	San Antonio, Gerona, Tarlac	Subdivision	31 July 2012
13-0828-14	Sta. Lucia Land, Inc.	Proposed Golden Meadows Ph. 2-C Residential Subd. Project	Brgy. Sinalhan, City of Santa Rosa, Laguna	Subdivision	28 August 2014
-	St. Botolph Dev'lt, Corporation/Sta Lucia Land, Inc.	Greenland Newtown Ph. 2-C	Brgy., Banaba, San Mateo, Rizal	Subdivision	-
2011-01	Sta. Lucia Land, Inc.	Greenwoods North Phase II	Sto. Cristo Norte, Gapan City, Nueva Ecija	Subdivision	19 September 2011
2011-02	Sta. Lucia Land, Inc.	Greenwoods North Phase III	San Nicolas, Gapan City, Nueva Ecija	Subdivision	19 September 2011

2013-004	Sta. Lucia Land, Inc.	Residential and Commercial Subdivision	Sitio Paenaan, Brgy. Pinugan, Baras, Rizal	Subdivision	7 May 2013
30-8213-15	Sta. Lucia Land, Inc.	Greenpeak Heights Subdivision (Green Peak Heights Palawan)	Brgy. Sta. Lourdes, City of Puerto Princesa	Subdivision	23 March 2015
2009-001	Sta. Lucia Land, Inc.	La Huerta Calamba, Laguna Project	Barangays Bunggo, Burol & Laguerta, City of Calamba	Subdivision	26 February 2009
2014-001	Sta. Lucia Land, Inc.	Palo Alto Phase 2	Barangay Pinugay, Baras, Rizal	Subdivision	28 February 2014
2014-0013	Sta. Lucia Land, Inc.	Vermont Park Phase 4-I	Vermont Park Subdivision, Brgy. Mayamot, Antipolo City	Subdivision	-
10-012	Sta. Lucia Realty and Development, Inc.	Valle Verde-Davao	Brgy. Panacan, Diversion Road, Bunawan, Davao City	Subdivision	29 July 2010
15-020	Sta. Lucia Land, Inc.	Soto Grande Residences	Davao Riverfront Commercial Subdivision, Ma-a, Davao City	Condominium	30 March 2015
10-010	Sta. Lucia Realty and Development, Inc.	Ponta Verde Davao	Brgy. Sasa & Communal, Diversion Road, Buhangin, Davao City	Subdivision	9 August 2010
16-02-003	Sta. Lucia Land, Inc.	Nottingham Villas	Brgy. San Pedro, Puerto Princesa City, Palawan	Condominium	2 March 2016
2	Sta. Lucia Land, Inc.	Resident/Commercial Subd. (Nasa Costa)	Brgy. Natipuan, Nasugbu, Batangas	Subdivision	24 August 2011
12-005	Sta. Lucia Land, Inc.	Greenwoods Executive village, Ph. 9-F	Brgy. Sta. Ana, Taytay, Rizal	Subdivision	-

2013-05-06	Sta. Lucia Realty & Development, Inc.	Greenwoods Executive Village Phase 6 Sections 9 & 10	Brgy. San Juan, Cainta, Rizal	Subdivision	24 May 2013
2013-02-03	Sta. Lucia Land, Inc.	Greenwoods Executive Village Phase 2-K-1	Brgy. San Juan, Cainta, Rizal	Subdivision	-
-	Sta. Lucia Land, Inc.	Proposed Residential Subdivision (Almeria Verde)	Brgy. Bolosan, Dagupan City	Subdivision	-
18-012	Sta. Lucia Land, Inc.	Las Colinas Leisure Farm	Brgy. Eden, Toril District, Davao City	Subdivision	13 September 2018

10. Housing and Land Use Regulatory Board (HLURB)

Please refer below to the list of completed and ongoing projects with their corresponding License to Sell (LTS) permit from the HLURB.

COMPLETED HORIZONTAL PROJECTS					
Project Name	Location	License to Sell		Certificate of Registration	
		No.	Date Issued	No.	Date Issued
Sugarland Estates	Trece Martires, Cavite	25550	May 25, 2012	23673	May 25, 2012
Villa Chiara	Tagaytay City, Cavite	21250	November 20, 2008	19985	November 20, 2008
Greenland Antipolo	Antipolo City, Rizal	24133	January 20, 2011	22837	January 20, 2011
Bauan Grand Villas	Bauan, Batangas	23392, 23391	March 11, 2010	22124, 22123	March 11, 2010
Greenmeadows Tarlac	Paniqui, Tarlac	23034, 23035	February 3, 2010	21773, 21774	December 22, 2009
Luxurre Residences	Alfonso, Cavite	26116	November 13, 2012	24351	November 13, 2012
South Grove Davao	Davao City, Davao	24070	January 17, 2012	23254	January 17, 2012
Neopolitan Business Park	Fairview, Quezon City	89-12-1345	December 15, 1989	89-12-1242	December 15, 1989
Pueblo del Sol Ph. 1	Tagaytay, Cavite	6213-R4A-06-06	June 26, 2006	15431-R4A-06-06	June 26, 2006
Mesilo Nueva Vida	Dasmarinas, Cavite	26115	November 13, 2012	24350	November 13, 2012
Vistamar Residential Estate	Lapu Lapu City, Cebu	5605	February 23, 1995	5609	February 23, 1995
Alta Vista De Subic	Subic, Zambales	747	August 25, 1997	770	August 25, 1997
Davao Riverfront	Davao City, Davao			11344	November 15, 2005

Glenrose Park Carcar	Carcar, Cebu	7873	August 13, 2003	7401	August 13, 2003
Lakewood City	Cabanatuan, Nueva Ecija			00355-B	October 4, 1996
Metropoli Residenze de Libis	Libis, Quezon City	13543	October 21, 2005	13555	October 21, 2005
Monteverde Executive	Taytay, Rizal	89-06-1141	June 5, 1989	89-06-1101	June 5, 1989
Palo Alto Ph.1	Tanay, Rizal	15558	September 20, 2006	16668	October 20, 2006
Rizal Technopark	Taytay, Rizal	98-011-3065	January 31, 1998	98-01-3234	January 27, 1998
Rizal Technopark	Taytay, Rizal	99-05-121	May 31, 1999	99-05-155	May 31, 1999
South Pacific Golf & Leisure Estate	Davao City, Davao	22229	April 25, 2010	23496	April 5, 2010
Palm Coast Marina Bayside	Roxas Blvd, Pasay City	13625	April 5, 2006	14638	April 5, 2006
Nottingham Villas Townhouse	Taytay, Rizal	28027	December 29, 2016	32318	December 29, 2016
Greenmeadows Iloilo Ph.1	Jaro, Iloilo City	R6-009-21048	April 21, 2009	22317	April 21, 2009
Greenland Newtown Ph.2B	San Mateo, Rizal	26795	December 10, 2015	30777	December 10, 2015
Glenrose Taytay	Taytay, Rizal	26801	January 11, 2016	30937	January 11, 2016
Alta Vista Residential Estate	Cebu City, Cebu	770	August 25, 1997	747	August 25, 1997
Costa Verde Cavite (Commercial)	Rosario, Cavite	12163-R4A-05-10	October 17, 2005	12559-R4A-05-10	October 17, 2005
Costa Verde Cavite (Residential)	Rosario, Cavite	12129-R4A-05-08	August 15, 2005	12559-R4A-05-08	August 15, 2005
Eagle Ridge Golf Villas	General Trias, Cavite	14578-R4A-06-03	March 23, 2006	15226-R4A-06-03	March 23, 2006
Eagle Ridge Residential Estates	General Trias, Cavite	R4-97-04-0051	July 10, 1997	R4-97-04-0056	July 01, 1997
Greenwoods South	Batangas City, Batangas	R4-96-12-0199	January 10, 1997	R4-96-12-0226	January 10, 1997
Metropolis Greens (Phase 1)	General Trias, Cavite	R4-98-08-0103	August 12, 1998	R4-98-08-0129	August 12, 1998
Metropolis Greens (Phase 2)	General Trias, Cavite	R4-98-12-0157	January 4, 1999	01826-R4-00-04	April 18, 2000
Metropolis Greens (Phase 3)	General Trias, Cavite	R4-98-12-0157	January 4, 1999	R4-08-12-0201	January 4, 1999
Manville Royale Subdivision	Bacolod City, Bacolod	06-94-36	November 3, 1994	06-94-36	November 3, 1994
Pinewoods Residential Golf and Country Club Estate	Benguet, Baguio City	CR-CAR-01-98-001	January 15, 1998	LS-CAR-01-98-001	January 15, 1998

Southfield Executive Village	Dasmarinas, Cavite	R4-96-07-0119	January 17, 2012	R4-96-07-0134	July 13, 1996
Tagaytay Royale Ph 1A & 1B	Tagaytay City, Cavite	R4-98-07-0100	August 12, 1998	R4-98-07-0125	August 12, 1998
Bevery Place Ph.9H	Mexico, Pampanga	19987	July 21, 2008	13466	July 21, 2008
Summer Hills Ph.4	Antipolo, Rizal	28025	December 29, 2016	32315	December 29, 2016
Soto Grande Ph.2	Tagaytay City, Cavite	25562	December 9, 2013	28790	December 9, 2013
Costa Del Sol Iloilo	Arevalo, Iloilo City	23572	March 11, 2013	25829	March 11, 2013

COMPLETED VERTICAL PROJECTS					
Project Name	Location	License to Sell		Certificate of Registration	
		No.	Date Issued	No.	Date Issued
Splendido Taal Tower 1	Laurel, Batangas	22502	May 12, 2009	21318	May 12, 2009
Splendido Taal Tower 2	Laurel, Batangas	29115	December 19, 2014	25906	December 19, 2014
La Breza Tower	Mother Ignacia Street, Quezon City	21940	December 18, 2008	20127	December 18, 2008
La Mirada Tower	Lapu-Lapu City, Cebu	21656	January 30, 2009	20627	January 30, 2009
East Bel-Air Residences	Cainta, Rizal	26984	July 26, 2013	24716	July 26, 2013
Neopolitan Condominium 1	Fairview, Quezon City	29251	September 30, 2014	26037	September 20, 2014
Sta. Lucia Residenze - Monte Carlo (Tower 1)	Cainta, Rizal	25762	11-Apr-14	28609	11-Apr-14
Sta Lucia Residenze - Santorini (Tower 2)	Cainta, Rizal	25762	11-Apr-14	28609	11-Apr-14
Arterra Residences at Discovery Bay	Lapu-Lapu City, Cabu	27046	26-Aug-15	30337	26-Aug-15

ONGOING HORIZONTAL PROJECTS					
PROJECT NAME	LOCATION	License to Sell		Certificate of Registration	
		No.	Date Issued	No.	Date Issued
Acropolis Loyola Residential Quezon City	Quezon City and Marikina	35105	July 26, 2019	29544	July 26, 2019
Acropolis Loyola Commercial Quezon City	Quezon City and Marikina	35104	July 26, 2019	29543	July 26, 2019
Acropolis Loyola Residential Marikina	Quezon City and Marikina	34612	June 14, 2019	29515	June 14, 2019

Colinas Verde Ph.3,3A&3B	San Jose Del Monte, Bulacan	26804	April 18, 2013	25010	April 18, 2013
Costa Verde Alangilan	Batangas City, Batangas	32064	December 28, 2016	27839	December 28, 2016
El Pueblo Verde	Gerona, Tarlac	31154	March 15, 2016	27216	March 15, 2016
Golden Meadows Binan Ph.2C	Sta Rosa, Laguna	32063	December 28, 2016	27838	December 28, 2016
Greenland Newtown Ph.2C	San Mateo, Rizal	30718	September 30, 2015	26756	September 30, 2015
Greenmeadows Ph.2 at the Orchard	Dasmarinas, Cavite	30497	October 21, 2015	26846	October 21, 2015
Greenwoods Executive Ph.2K1	Cainta, Rizal	30705	September 23, 2015	26747	September 23, 2015
Greenwoods Executive Ph.6 Sec.9-10	Taytay, Rizal	30714	September 30, 2015	26752	September 30, 2015
Greenwoods Executive Ph.8G1	Cainta, Rizal	30713	September 30, 2010	26751	September 30, 2010
Greenwoods Executive Ph.9F	Taytay, Rizal	30717	September 30, 2015	26755	September 30, 2015
Greenwoods North Ph.2	Gapan, Nueva Ecija	26872	October 14, 2013	25062	October 14, 2013
Greenwoods North Ph.3	Gapan, Nueva Ecija	26873	October 14, 2013	25063	October 14, 2013
Green Peak Heights Ph.1	Teresa, Rizal	30691	September 3, 2015	26737	September 3, 2015
Green Peak Heights Palawan	Sta. Lourdes, Puerto Princesa	31256	May 16, 2016	26934	May 16, 2016
La Huerta Ph. 1	Calamba, Laguna	24938	October 19, 2011	23336	October 19, 2011
La Huerta Ph. 2	Calamba, Laguna	24939	October 19, 2011	23337	October 19, 2011
Nasa Costa Cove	Nasugbu, Batangas	32028	December 14, 2016	27816	December 14, 2016
Palo Alto Ph.2	Teresa, Rizal	33322	December 28, 2017	28153	December 28, 2017
Ponte Verde Davao Residential	Panacan, Davao City	24053	April 26, 2011	21586	April 27, 2011
Ponte Verde Davao Commercial	Panacan, Davao City	24054	April 26, 2011	22253	April 27, 2011
Valle Verde Davao	Panacan, Davao City	24043	January 31, 2011	19179	January 31, 2011
Vermont Park Ph.4I	Antipolo, Rizal	32316	December 29, 2016	28024	December 29, 2016

ONGOING VERTICAL PROJECTS					
PROJECT NAME	LOCATION	License to Sell		Certificate of Registration	
		No.	Date Issued	No.	Date Issued

Crown Residence at Harbor Springs Resort	Puerto Princesa	31410	August 24, 2016	27730	August 24, 2016
Nottingham Villas Palawan Residential	San Pedro, Puerto Princesa	31280	June 29, 2016	26946	June 29, 2016
Nottingham Villas Palawan Commercial	San Pedro, Puerto Princesa	31255	May 16, 2016	26933	May 16, 2016
Soto Grande Davao	Davao City, Davao	30913	March 7, 2016	26698	March 7, 2016
Soto Grande Katipunan	Quezon City, Metro Manila	35176	October 23, 2019	29588	October 23, 2019

In addition to the foregoing, permits for the following projects of the Company are currently in different stages. Applications are either being prepared or are pending with the DENR, HLURB or the concerned LGU, as follows:

PROJECT NAME	LOCATION
Almeria Verde	Dagupan City, Pangasinan
Altea Ciudades	Mandug, Davao City
Blue Mountains Ph.2	Antipolo, Rizal
Cambridge Place Ph.1A	Tanauan, Batangas
Catalina Lake Residences	Bauan, Batangas
Colinas Verdes Estate Lots	San Jose Del Monte, Bulacan
East Bel-Air 3	Cainta, Rizal
Golden Meadows Binan Ph.2D	Sta Rosa, Laguna
Greenmeadows Ph.2A at the Orchard	Imus, Cavite
Greenmeadows Iloilo Ph.2	Jaro, Iloilo City
Greenridge Rizal Ph.4A	Binangonan, Rizal
Greenwoods Executive Ph.540	Cainta, Rizal
Greenwood Executive Ph.8F5	Taytay, Rizal
Greenwoods Executive Ph.9D1	Cainta, Rizal
Greenwoods South Ph.4A	Batangas City, Batangas
Green Peak Heights Ph.2	Teresa, Rizal
Green Peak Heights Ph.3	Teresa, Rizal
Hacienda Verde Iloilo	Iloilo City, Iloilo
Hamptons Residences	Angono, Rizal
La Alegria Residential Estates	Silay City, Negros Occidental
Las Colinas Davao	Eden Toril, Davao City
Lakewood Los Banos Ph.4	Los Banos, Laguna
Los Rayos	Tagum City, Davao Del Norte
Marbella Davao	Davao
Metropolis East Ph.1B	Binangonan, Rizal
Metropolis East Ph.1C	Binangonan, Rizal
Metropolis East Ph.2	Binangonan, Rizal

Metropolis Iloilo Ph.2	Jaro, Iloilo
Monte Verde Royale Ph.4C	Taytay, Rizal
Nottingham Villas Iloilo Cluster 1 to 10	Jaro, Iloilo City
Orchard Residential Estates Ph.1A2	Dasmarinas, Cavite
Ponte Verde Davao – Sandoval	Panacan. Davao City
Rizal Techno Park Ph.2D1	Taytay, Rizal
Rizal Techno Park Ph.2H	Taytay, Rizal
Soller Davao	Mandug, Davao City
Soto Grande Neopolitan (Neopolitan Tower 2)	Fairview, Quezon City
South Coast	Lian, Batangas
South Spring Ph.1E	Binan, Laguna
South Spring Ph.1D	Binan, Laguna
South Spring Ph.1F	Binan, Laguna
South Spring Ph.1G	Binan, Laguna
Summer Hills Ph.4A and 4B	Antipolo, Rizal
Summit Point Ph.3A	Sto. Tomas, Batangas
Summit Point Ph.3B	Sto. Tomas, Batangas
Summit Point Ph.3C	Sto. Tomas, Batangas
Summit Point Ph.3D	Sto. Tomas, Batangas
Summit Point Ph.3E	Sto. Tomas, Batangas
Vermont Park Ph.1E	Antipolo, Rizal
Woodridge Iloilo	Jaro, Iloilo
Woodside Garden Ville Ph.2C	Urdaneta, Pangasinan
Aldea at Monterosa	Oton, Iloilo
Blueridge at Monterosa	Oton, Iloilo
Monterey Residence	Panabo City, Davao

11. Anti-Money Laundering Council

SLI was issued a Provisional Certificate of Registration on February 26, 2021 by the Anti-Money Laundering Council ("AMLC"), valid for a period of 6 months. On August 26, 2021, the Company submitted the remaining requirements for its registration to AMLC. To date, the application is pending with AMLC.

Research and Development

Expenses incurred for research and development activities are minimal and do not amount to a significant percentage of revenues.

Cost and Effect of Compliance with Environmental Laws

Expenses incurred by the Company for purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees that are standard in the industry and are minimal.

Insurance

The Company obtains and maintains appropriate insurance coverage on SLEGM from UCPB General Insurance Company, Inc., Fortune General, covering the following risks: fire and lightning, perils of explosion, aircraft, vehicle and smoke, earthquake fire and shock, riot and strike, typhoon and flood.

Market / Clients

The Company has a broad market base including local and foreign individuals and does not have a customer who/which accounts for twenty percent (20%) or more of the Company's sales.

Market Segments by Customer Profile

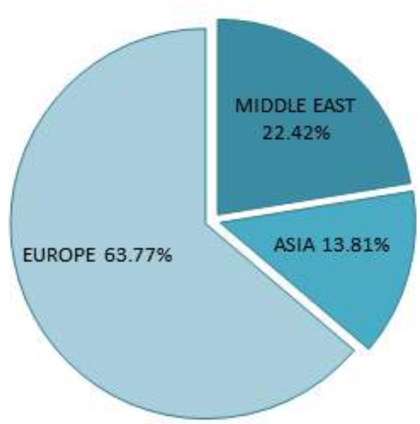
The Company's main target markets are the OFWs and middle class. A major percentage of the Company's number of units sold come from OFWs and their families, [15%] come from SME business owners, and [15%] come from middle class employees.

Market Segments by Continent

OFW revenues are distributed among the Middle East, Asia, and the U.S. Approximately 64% of total OFW revenues come from the Europe, 14% from the Asia, 22% from Middle East.

The table below shows the breakdown of foreign sales to total real estate sales for the years ended December 31, 2018, 2019 and 2020:

Market Segment by Geographic Location



CONTINENT	2018		2019		2020	
	Sales	% to Sales	Sales	% to Sales	Sales	% to Sales
MIDDLE EAST	190,817,417	18.55%	290,311,840	27.77%	150,589,526	20.24%

ASIA	314,532,692	30.58%	50,622,000	4.84%	23,891,848	3.21%
EUROPE	523,154,148	50.87%	704,294,932	67.38%	569,506,021	76.55%
TOTAL	**1,028,504,257**	**100%**	**1,045,228,772**	**100%**	**743,987,395**	**100%**

Mall Operations

The Sta. Lucia East Grand Mall ("SLEGM") is a comprehensive commercial, entertainment, and leisure facility with a full range department store, supermarket, movie theater, fast food chains, bookstore, specialty boutiques for clothing, accessories, telecommunication, and hobby stores. The SLEGM is comprised of three 4-storey buildings with a GFA of 180,000sqm and is located at Marcos Highway cor. Felix Ave., Cainta, Rizal.

In 2014, the Company opened the expansion mall called Il Centro, which is comprised of a 3-storey building with a GFA of 50,000 sqm and a gross leasable area of 9,136.62 sqm. The expansion mall has a 20,000 sqm parking space to cater to residential tenants and mall clients.

Currently, the mall has 99,076.21 sqm gross leasable space of which 78.83% is leased. The business serves to complement the needs of the residential communities that the Company has built in the cities of Pasig, Marikina, and in the various towns of the Rizal province.

Principal Tenants

The Company's diverse mix of tenants includes those engaged in the business of services, retail, leisure, food, apparel, and novelty. The Company's significant tenants include, but are not limited to, the following:

- Services: BDO Unibank, David's Salon, Bench Fix Salon, Ricky Reyes
- Retail: Abenson, CD-R King, National Bookstore
- Leisure: Worlds of Fun, Sta. Lucia Cinema, Sta Lucia Bowling
- Food: Bonchon, Dunkin Donuts, Jollibee, Mang Inasal, Starbucks
- Apparel: Bench, Regatta, Vans
- Novelty: Mumuso, Blue Magic

Aside from the tenants mentioned above, the SLEGM also has major tenants controlled by or in which one or more of the Company's shareholders have a significant interest. These include Home Gallery, Planet Toys, SLE Cinema, and SLE Bowling.

The top three business activities taking up the Company's leasable area are services, leisure, and retail. In terms of contribution to rental income, retail activities contribute the majority to the Company's rental income, followed by service and food activities. The table below summarizes the breakdown of the major business activities of the SLEGM in terms of leasable area and rental contribution:

	By Leasable Area	By Rental Contribution
Food	24%	22%
Service	25%	36%
Apparel	9%	7%

Retail	33%	24%
Novelty	4%	7%
Leisure	5%	4%
	100.00%	100.00%

As of June 30, 2021, 49 tenants terminated their existing lease contracts due to the COVID-19 pandemic. Other tenants continued their lease terms with revisions on rental fees from a mix of fixed plus a certain percentage of their revenue to only the latter resulting to a 21% increase in rental income from the six-month period ending June 2020 to 2021.

Lease Terms

The lease payments that the Company receives from its retail tenants are usually based on a combination of fixed and/or variable payments. Rents are typically based on basic rental fee per sqm in addition to a turnover component of 1.5% to 8% of gross sales, subject to a monthly minimum rental fee per sqm and annual escalation rates. Tenants are also usually charged air conditioning, common use service areas, pest control, electricity, and marketing support fees. Lease terms range from one month to five years with renewal clauses.

Management of the Mall

Management and operation of the malls, including planning, development, tenant mix preparation, budgeting, maintenance, engineering, security, leasing, marketing, promotions, billing, and collections are handled by Sta. Lucia East Commercial Corporation ("SLECC"), a related company owned by the shareholders of the Company. While all lease payments are paid to and in the name of the Company, SLECC continues to provide management and operations services for the SLEGM. As consideration, SLECC receives management fees equivalent to a fixed percentage of revenues.

COMPETITION

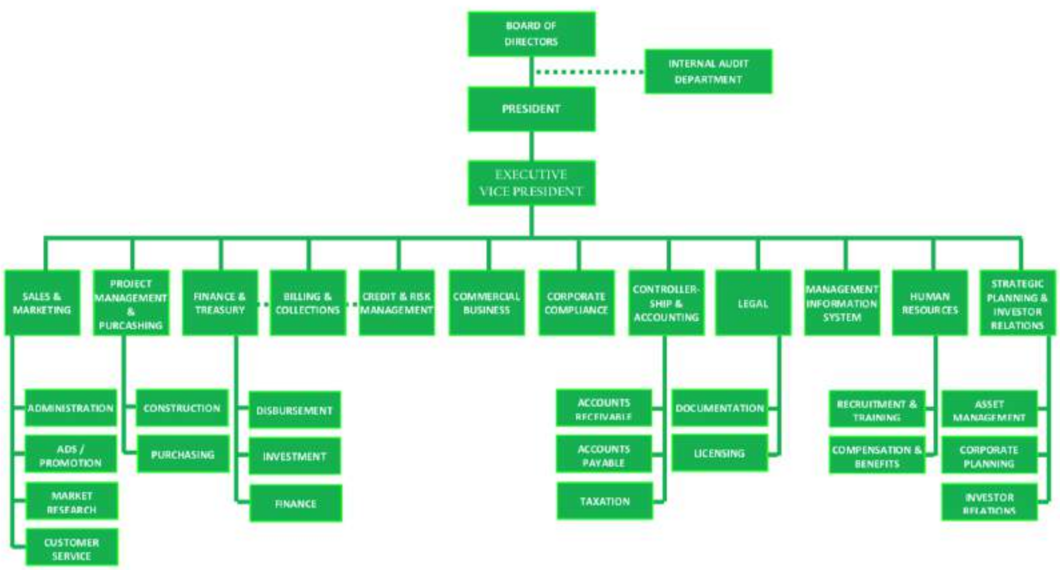
The residential market is still a highly under-served market with the housing backlog projected to reach 5.6 million by 2030 (myproperty.ph). In this segment, the Company considers Vista Land and Filinvest Land, Inc. as its competitors. The Company believes that the strengths of these competitors lie in their larger land bank holdings and historically, their ability to access funding through the capital markets.

In order to effectively compete, the Company has long adopted the strategy of focusing on the provincial areas that are largely ignored and under-served by its bigger competitors whose projects have, until recently, been concentrated in the Metro Manila which is already congested and near saturation. SLI is present in 11 regions across the country. The Company believes that sustained growth will come from the provinces and major cities outside of Metro Manila, and has therefore prioritized establishing its presence there. The Company believes that its expertise and knowledge in these areas will prove significant as it continues to expand its property footprint in these largely under-served areas. The Company will continue using its sales force to target a specific customer segments in specific geographic locations. Once identified, potential clients are reached through aggressive advertising and personalized sales services, including after sales support. Such services include assistance in documentation and facilitation of access to credit. Its capability to reach out to different locations is made possible through its vast marketing channels, which, by sheer number of sales agents, was able to capture a good portion of the market. The international offices of its marketing arms also made it possible to move closer to offshore markets. Open houses, discounts and promotion are some of the marketing tools the Company employs as part of its sales and marketing strategy.

With respect to the mall business, SM Prime and Robinsons Land are considered as the main competitors of the Company. Although SLEGM was one of the first malls in the Cainta area, competition has emerged in recent years as new malls were developed by its peers. Despite this, however, the Company continued to generate healthy cash flows, retain tenants and even engage newer ones. Its prime location, being located in a major intersection along a major thoroughfare, along with the variety of its affiliated and independent retailers that afford its customers more varied choices and the continuous improvements in both facilities and services have enabled SLEGM to hold its own in this highly competitive retail market.

EMPLOYEES AND LABOR

The following diagram presents the organizational structure of the Company:



As of June 30, 2021, the Company and its Subsidiaries have a total of 175 employees grouped by business segment as follows:

DEPARTMENT	COUNT
Office of the Chairman / Administrator	1
Office of the EVP / CFO	1
Accounting	17
Administration	6
Advertising and Promotions	4
Asset Management	55

Commercial Business	2
Construction Permit & Post Construction	1
Corporate Planning	2
Finance/Credit Risk Management	5
Hotels	1
Human Resources	3
Internal Audit & Controllership	12
Management Information System	7
Project Development	27
Purchasing	5
Sales And Marketing	16
Special Projects	2
Treasury	6
Sta. Lucia Homes	2
TOTAL	**175**

The Company foresees an increase in its manpower complement by 30 in the ensuing 12 months.

The Company's employees are not unionized or party to collective bargaining agreements with the Company.

There has been no strike or threat of strike of the Company's employees over that last five years.

Vacation leaves, sick leaves, 13th month pay and retirement benefits are provided to employees, among others, subject to company policies and procedures. In addition, the Company contracted Health Maintenance, Inc., a health maintenance organization, to provide health support services to its officers, employees and their dependents, if any. The contract has a term of one year, from July 10, 2020 to June 30, 2021, which is deemed automatically renewed for another year unless a written notice was served by either party at least 30 days prior to the expiry date.

DESCRIPTION OF PROPERTIES

Historically, the Company has been acquiring interests in lands mainly by entering into JVs to develop land with existing owners. Over the years, the Company has accumulated land interests in areas which the Company believes are prime locations throughout the entire Luzon, Visayas, and Mindanao regions. Potential land acquisitions and participation in JV projects are evaluated using certain criteria such as the attractiveness of the acquisition cost relative to the market price, topographical feasibility of the planned development, accessibility to major infrastructure utilities and thoroughfares, and proximity to commercial areas.

The Company also acquired raw land for future development. Details on the raw land inventory owned by the Company as of the date of this Prospectus are set out in the table below. This list excludes properties that have already been launched or completed as development properties, specifically residential projects, as the title to the property in these projects were already sold or are intended to be sold to unit buyers.

Location	Area in Sqm.	Land Use
Baguio	29,465.98	Residential / Commercial
Bataan	82,916.00	Residential / Commercial
Batangas	2,405,386.00	Residential / Commercial
Bulacan	45,120.00	Residential / Commercial
Cavite	365,240.75	Residential / Commercial
Cebu	245,099.00	Residential / Commercial
Davao	2,805,376.16	Residential / Commercial
General Santos City	243,168.00	Residential / Commercial
Iloilo	1,207,996.34	Residential / Commercial
Laguna	2,031,636.33	Residential / Commercial
Metro Manila	422,041.00	Residential / Commercial
Negros Oriental	140,000.00	Residential / Commercial
Nueva Ecija	207.00	Residential / Commercial
Palawan	927,799.00	Residential / Commercial
Pampanga	180,719.00	Residential / Commercial
Pangasinan	267,631.50	Residential / Commercial
Quezon	12,597.00	Residential / Commercial
Rizal	1,497,605.00	Residential / Commercial
South Cotabato	588,552.00	Residential / Commercial
Surigao Del Norte	65,409.00	Residential / Commercial
Zambales	35,588.00	Residential / Commercial
Zamboanga	286,257.00	Residential / Commercial
TOTAL	13,885,810.06	

In view of the Company's expansion plans, the Company continues to selectively explore land acquisitions, focusing on key emerging areas where it has successfully developed and sold projects. The following table summarizes the various sites that the Company has identified for acquisition in the next five years:

REGION	Percentage Concentration of Land banking
Region 4A – CALABARZON	46%
Region 11 - Davao Region	20%
Region 6 - Western Visayas	10%
Region 4B MIMAROPA	7%
Region 12 – SOCCSKSARGEN	6%
Region 16 – NCR	3%
Region 1 - Ilocos Region	2%
Region 3 - Central Luzon	2%
Region 7 - Central Visayas	2%
Region 9 – Zamboanga Peninsula	2%

TOTAL	100%

In the next 12 months, the Company intends to acquire the following properties:

Region	Location	Purchase Price	Development	Timeline
Region 11	Sta. Cruz, Davao Del Sur	1,891.43	Horizontal Development	4th Quarter 2021 to 2022
Region 4A	Lipa, Batangas	177.32	Horizontal Development	4th Quarter 2021 to 2022
Region 4A	San Roque, Pililla, Rizal	59.42	Horizontal Development	4th Quarter 2021 to 2022
Region 4A	Halayhayin, Pililia, Rizal	24.20	Horizontal Development	4th Quarter 2021 to 2022
	Total	**2,152.36**		

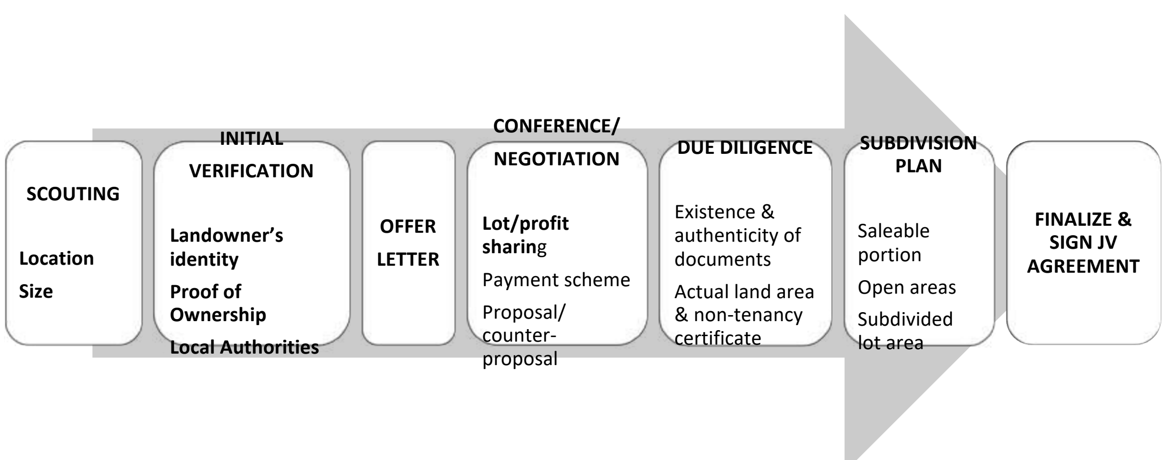
The Company intends to take advantage of its local knowledge, development expertise, track record and local connections to successfully implement its land banking strategy. As of this date of the Prospectus, none of the properties of the Company is subject to a mortgage, lien, or encumbrance.

JOINT VENTURE BUSINESS MODEL

Process

The Company has historically adopted a JV business model where the Company enters into joint venture arrangements with land owners for the development of raw land into future project sites in order to reduce land capital expenditures and substantial financial holding costs from owning land for development.

The diagram below illustrates how the Company implements its JV business model:



The Company initially identifies suitable properties for development by evaluating against certain criteria, with the top considerations being location and size. Once the properties are identified, initial verification is then conducted on the following:

- landowner's identity;
- proof of ownership; and
- relevant local authority approvals.

Once the property has passed initial verification, an offer letter is sent to the landowner and the negotiation process begins. The following are the main terms to be negotiated under the JV agreements:

- lot/profit sharing mechanism;
- payment scheme;
- cost sharing mechanism; and
- responsibilities on securing relevant approvals and authorizations.

Due diligence activities are also conducted with a focus on confirming the authenticity of documents, actual land area, and existence of non-tenancy certificates. The Company then formulates a subdivision plan and proceeds to finalize and execute the JV agreement.

The JV business model has provided the organization immediate exposure to new areas for project expansion, established familiarity with local demographics, allowed more efficient use of cashflow, spread the risk with the landowners, provided access to more land/projects owned by JV partners. Also, this track record of success is expected by the Company to attract other new prospective JV partners as future land bank partners or source of land bank.

JV Profit Sharing Business Model

Under the joint venture agreements, the joint venture partner contributes the land free from any lien, encumbrance, tenants or informal settlers and the Company undertakes the development of the project. The joint venture partner is allocated either the developed lots or the proceeds from the sale of the units based on pre-agreed distribution ratio. The percentages of profits allocated to the Company as a developer for their JV Projects range from [40% to 85%]. With regard to the sharing of costs, various structures are currently in place. In some agreements, the Company nets the incurred marketing and advertising costs from the gross sale of real estate products sold. The Company then recognizes revenues based on the netted amount depending on its prorated ownership of the JV Project. The Company, however, shoulders all of the costs to develop the land. There are also cases where the Company nets all incurred marketing, advertising, and development costs from the gross sale of real estate products sold, after which the remaining income is shared between the Company and the JV partner.

JV Expansion

The Company is looking at acquiring an interest in several new areas through JV agreements for the next five years. The table below summarizes these target locations and land areas:

REGION	Percentage Concentration of Land banking
Region 4A – CALABARZON	57%
Region 11 – Davao Region	15%
Region 3 – Central Luzon	14%
Region 6 – Western Visayas	7%
Region 4B – MIMAROPA	3%
Region 7 – Central Visayas	2%
Region 1 – Ilocos Region	1%
Region 16 – NCR	1%
TOTAL	100%

The new JVs being targeted in Cavite, Iloilo, and Davao are expansions of existing projects and can be found in contiguous lots.

PROJECT DEVELOPMENT AND CONSTRUCTION

Once the Company has acquired an interest in land for development, it will begin the project development process. In addition to obtaining the required government regulatory approvals, this process involves the planning of the potential project, including master planning and design. Site development and construction work for the Company's projects is contracted out to qualified and accredited independent contractors. Terms with contractors usually include a 10-40% downpayment, provision of construction materials by accredited suppliers, and payment scheme which includes a 10% retention.

Development timetables vary from project to project, as each project differs in scale and design. Typically, the Company undergoes the following project development process for the Company's horizontal projects:

Step 1: Earthworks (Excavation, Road Tracing, Fill or Backfill, Grading, Base Preparation)
Step 2: Underground Works (Drainage, Waterline, Sewer System)
Step 3: Concrete Works (Pavement, Curbs & Gutter, Sidewalk, Perimeter Fencing)
Step 4: Electrical Works (Electrical Facility Distribution Lines, Street Lights)
Step 5: Amenities (Entry Signage, Guardhouse, Community Clubhouse and Recreational Facilities)

After these properties have been developed, these residential lots become ready for house construction. The project development processes for vertical and housing construction projects are basically the same in terms of land selection and acquisition, procuring government regulatory approvals, project planning, and appointment of contractors for the site development and construction works.

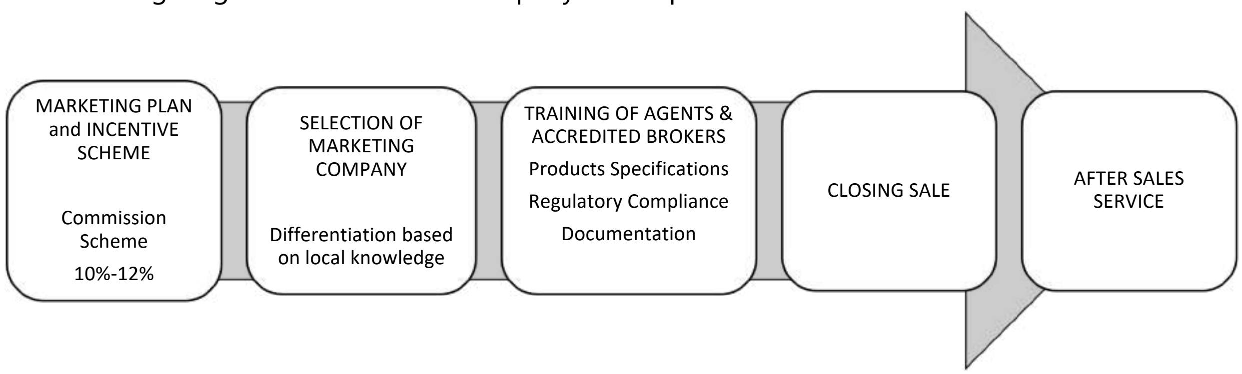
DISTRIBUTION METHODS

Sales Process

The Company's main selling strategy is the utilization of a wide network of marketing companies, which are selected based on the following criteria:

- core competencies;
- familiarity with target markets; and
- location.

The following diagram illustrates the Company's sales process:



Marketing and Distribution

The Company has at its disposal the expertise of eight different marketing arms, four of which work exclusively with the Company, namely: Royale Homes Marketing Corp., Orchard Property Marketing Corp., Mega East Properties, Inc., Fil-Estate, Asian Pacific, Sta. Lucia Global Inc., 1Premiere Land Marketing Co., and Santalucia Ventures, Inc., which is a wholly-owned subsidiary of the Company. These marketing firms have a combined local and international sales force of over 120,000 brokers agents ensuring wide geographic coverage and presence and extensive knowledge of the demographics. These marketing companies are tasked to promote the Company and its projects through various media such as print advertisements and online marketing (e.g., Facebook, Instagram, Youtube, and Twitter). To further enhance the public's awareness of the brand, the Company has, since 2008 began engaging celebrity endorsers, and brokers to promote the brand and the projects.

The table below enumerates these marketing companies, of which only SVI is a subsidiary of the Company.

	Royale Homes Marketing Corporation	OPMC	MegaEast Properties, Inc.	Fil-Estate	Asian Pacific	Santa Lucia Ventures Inc.	Sta. Lucia Global Inc.	1Premiere Land Marketing Company	Sta. Lucia Prime Marketing Corporation
	• Established in 1994 • 30,000 sales agents	• Established in 1996 • 35,000 sales agents	• Established in 2005 • 2,000 sales agents	• Established in 1981 • 30,000 sales agents	• Established in 1974 • 20,000 sales agents	• Established in 2013 • 3,000 sales agents	• Established in 2016 • 3,500 sales agents	• Established in 2011 • 2,000 sales agents	• Established in 2020 • 500 sales agents
Domestic	✓	✓	✓	✓	✓	✓	✓	✓	✓
International	✓	✓	✓	✓	✓	✓	✓		
Exclusive	✓	✓	✓			✓	✓	✓	✓
Affiliated	✓	✓				✓	✓		✓

The location of international and local sales force is summarized in the following diagram:

International Sales Force

Local Sales Force

Royale Homes Marketing Corporation
Website: http://www.royalehomes.ph/

Envisioned to become the leading real estate marketing organization in the country, Royale Homes Marketing Corporation was founded in 8 September 1994 by three lady entrepreneurs: Matilde P. Robles, President of the company, Carmina A. Sotto, Executive Vice-President of Sales and Marketing, and Ma. Melinda A. Bernardino, Executive Vice-President for Finance and Administration.

Royale Homes having shown its strength in real estate marketing was tapped by SLRDI to exclusively market a number of its premier residential and resort projects nationwide. It has also marketed the real estate properties of the JV partners of the Company.

Orchard Property Marketing Corporation
Website: http://www.opmc.ph/

Orchard Property Marketing Corporation is a subsidiary of SLRDI. A solid, professional network backed by a good name in the real estate industry. The company was organized in 1995 to exclusively market the Company's projects. With offices in Metro Manila, Metro Cebu, Metro Davao, Lucena City and Bulacan, OPMC is taking larger steps towards servicing its growing clientele for its diverse products all over the Philippines.

OPMC takes pride in its highly trained service-oriented workforce and continues to develop the best manpower to attain maximum customer satisfaction.

Mega East Properties, Inc.
Website: http://www.megaeast.com.ph/

Mega East Properties, Inc. is the youngest and most dynamic marketing arm of the Company. Entrusted with a limited but strategic set of inventories by the Company, MPI carries dream-lots located in the residential, business and tourism corridors of Quezon City, Marikina, Caloocan, Provinces of Rizal, Tagaytay and Paniqui, Tarlac.

Fil-Estate Group of Marketing Companies
Website: http://fegc.brinkster.net/FEChistory.htm

Fil-Estate Realty Corporation was founded in January 15, 1981 by Messrs Robert John Sobrepeña, Atty. Ferdinand T. Santos and Noel Cariño. These men combined their marketing and management skills and expertise to build and develop an organization that would bring about the realization of their common dream; to put up the best marketing company in the real estate industry, a model company that the real estate industry can follow.

From its initial years, a close relationship has been developed between SLRDI as the developer and Fil-Estate as the exclusive marketing arm for select projects. This relationship has continued to prosper over the succeeding years resulting in many successful launches and sales of a host of first-class subdivision and golf course developments.

Asian Pacific Group of Companies
Website: http://www.apgc.com.ph

With 29 years of experience and leadership in the Philippines real estate industry, Asian Pacific Group of Companies is a global network of companies that specializes in real estate marketing and property development. Composed of five member companies, APGC has presently a total of seven branches nationwide, namely Lipa City, Batangas City, Nueva Ecija, Tarlac, Cebu, Bacolod and Iloilo, and boasts of over 50,000 sales forces worldwide. Its nationwide inventory of real estate properties amounts to a total of ₱ 5.4 Billion.

Santalucia Ventures
Website: http://stalucialand-intl.com/index.

Santalucia Ventures was incorporated in 2013 to handle the marketing and distribution of the Company's products. Santalucia Ventures requires all real estate brokers directly involved in selling activities to have the necessary licenses.

Other marketing companies of SLI includes Sta. Lucia Global Inc. and 1Premier Land Marketing Company.

LEGAL PROCEEDINGS

Neither the Company nor any of the Subsidiaries are involved in, or the subject of, any legal proceedings which, if determined adversely to the Company or the relevant Subsidiary's interests, would have material effect on the business or financial position of the Company or any of its subsidiaries.

The Company and the Subsidiaries are not involved in any bankruptcy, receivership or similar proceedings.

INDUSTRY OVERVIEW

The information set out in this section has been extracted from a report prepared by Colliers International Group Inc. ("Colliers") relating to the Philippine real estate industry (the "Industry Report"). The information below has been taken from the Industry Report and has not been independently verified by any of the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, or any of their respective directors, officers, representatives, affiliates or advisors, and no representation is given as to its accuracy.

The Philippines remains one of the brightest spots in Asia and the world, with its economy expanding a sustained a rate of over 6% in GDP growth from 2016 - 2019. Due the pandemic, the Philippine economy fell 9.6% in 2020.

BPO industry remains strong despite moderated growth outlook moving forward. Within the robust Philippine economy lies some key industries that continue to outperform the general economy. Underpinning this growth is the strength of foreign direct investments (FDIs), which typically foreshadow growth in the IT-BPO sector. For 2020, FDI fell 24.6% to US$ 6.5 billion, given the effects of the pandemic. This is the third consecutive decrease in the FDI since its peak in 2017 (US$ 10 billion). Moving forward, the Information Technology and Business Process Association of the Philippines (IBPAP) sees a moderated pace of annual growth in the industry of 9% until 2024 on the back of a variety of factors, which include technology and human capital; while slower than the historical pace of the industry of high single to double-digit annual growth, the Contact Center Association of the Philippines (CCAP) still sees about 100,000 high-value jobs to be added annually.

Office space leasing[1]

According to Colliers report on April 30, 2021, e-commerce, outsourcing and data centers were the demand drivers for office space leasing in first quarter of 2021. Net absorption, however, remained negative because of lease cancellations and/or non-renewals. Net take-up is seen to recover towards the end of 2021.

From 2021 to 2025, annual completion of about 641,200 sqm of new office space is seen. Fort Bonifacio, Quezon City and the Bay Area will account for about 47% of the new supply during the said period.

Rents continue to decline in line with Colliers projection of 15% reduction in 2021. Office rents on average have declined by 3.7% quarter-on-quarter in first quarter of 2021, with further correction in lease rates, especially in submarkets with high vacancies due to lease cancellations and significant amount of upcoming supply.

Vacancy reached 12.5% due to lease non-renewals, cancellations, pre-terminations and substantial new supply coming online.

[1] Bondoc, J., et.al. (2021).*Office leasing opportunities amid Covid surge.* Colliers International website. Retrieved 05 July 2021, from https://www.colliers.com/en-ph.

Commercial retail leasing[2]

Colliers sees muted space absorption in 2021 as Filipinos are likely to avoid non-essential purchases. New retail space per annum of 291,100 sqm is expected from 2021 to 2024. Malls within the Bay Area and Fort Bonifacio should drive retail supply during the period.

In 2021, retail rents is projected to decline by another 5%, after a 10% drop in 2020, due to vacancy increased caused by weakened demand and substantial new supply. Rents is seen to rebound at a slow pace in 2023.

By year-end, Colliers projects vacancy to rise to about 16%, up from 12.5% in 2020, due to new supply and movement to online retail.

Residential development[3]

The pandemic continues to hamper residential demands in both the pre-sale and secondary markets according to Colliers report on April 30, 2021. Take-up is projected to be driven by mid-income-to-luxury projects over the next 12 to 24 months. For first quarter 2021, delivery of 4,145 new units was recorded, of which all were from the Manila Bay Area. The submarket is likely to account for 74% of the 10,387 units expected to be completed in 2021.

Meanwhile, rents across the secondary market fell by 1.6% in the first quarter of 2021. A gradual recovery is expected starting 2022. Vacancy increased to 16.3% during the same period; given the expected units in 2021, vacancy is seen to increase towards the end of the year.

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[2] Bondoc, J., et.al. (2021).*Physical stores to post higher vacancy as consumers, retailers go into wait-and-see mode*. Colliers International website. Retrieved 05 July 2021, from https://www.colliers.com/en-ph.

[3] Bondoc, J., et.al. (2021).*Green shoots of recovery for Philippine residential property.* Colliers International website. Retrieved 05 July 2021, from https://www.colliers.com/en-ph.

REGULATORY AND ENVIRONMENTAL MATTERS

The following description is a summary of certain laws and regulations in the Philippines that are generally applicable or relevant to companies in the real estate industry. The information detailed in this section has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

REAL ESTATE LAWS

Presidential Decree No. 957, otherwise known as "The Subdivision and Condominium Buyer's Protective Decree" ("PD 957"), and Batas Pambansa Blg.220 ("B.P. 220"), as amended, are the principal statutes that regulate the development and sale of real property as part of a condominium project or subdivision.

PD 957 and B.P. 220 cover subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes, and condominium projects for residential or commercial purposes. The HLURB is the administrative agency of the Government which, together with local government units ("LGUs"), enforces these decrees and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial and other development projects are subject to approval by the pertinent LGU of the area in which the project is situated. The development of subdivision and condominium projects can commence only after the LGU has issued the development permit.

The issuance of a development permit is dependent on, among others (i) compliance with required project standards and technical requirements which may differ depending on the nature of the project, and (ii) issuance of the barangay clearance, the HLURB locational clearance, DENR permits, and, as applicable, DAR conversion or exemption orders as discussed below. A bond equivalent to 10% of the total project cost is required to be posted by the project developer to ensure commencement of the project within one year from the issuance of the development permit.

Further, all subdivision plans and condominium project plans are required to be filed with and approved by the HLURB. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the HLURB and the written conformity or consent of the duly organized homeowners' association, or in the absence of the latter, by the majority of the lot buyers in the subdivision.

Owners of, or dealers in, real estate projects are required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects to the public. Dealers, brokers and salesmen are also required to register with the HLURB pursuant to Republic Act No. 9646 or the Real Estate Service Act of the Philippines.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB by itself or upon complaint from an interested party for reasons such as insolvency or violation of any of the provisions of PD 957. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance by the owner or dealer with the applicable laws and regulations.

Subdivision Projects

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at Economic and Socialized Housing, must comply with BP 220, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with PD 957, which sets out standards for lower density developments. Both types of development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction.

Under current regulations, a developer of a residential subdivision with an area of one hectare or more and covered by PD 957 is required to reserve at least 30% of the gross land area of such subdivision, which shall be non-saleable, for open space for common uses, which include roads and recreational facilities. A developer of a subdivision project with an area of at least one hectare is required to reserve at least 3.5% of the gross project area for parks and playgrounds. The said area must not be less than 100 square meters.

Republic Act No. 7279, otherwise known as the Urban Development and Housing Act, as amended, by Republic Act No. 10884, further requires developers of proposed residential subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost at the option of the developer in accordance with the standards set by the HLURB and other existing laws. While this is the preferred manner of compliance, the developer may resort to other manner of compliance such as (i) choosing to develop for socialized housing an area equal to 15% of the total area of the main subdivision project or allocate and invest an amount equal to 15% of the main subdivision total project cost, which shall include the cost of the land and its development as well as the cost of housing structures therein, or they may engage in development of socialized housing in a new settlement through purchase of socialized housing bonds, slum upgrading, participation in a community mortgage program, the undertaking of joint-venture projects and the building of a large socialized housing project to build a credit balance; (ii) entering into joint-venture projects for socialized housing with local government units, housing agencies, other private socialized housing developers, or non-government organizations engaged in the provision of socialized housing in accordance with the regulations; or (iii) participating in a new project under the community mortgage program ("CMP") through land development in a CMP project.

Republic Act No. 6552, otherwise known as the "Realty Installment Buyer Ac"t (the "Maceda Law"), applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units. Under the Maceda Law, buyers who have paid at least two years of installment are granted a grace period of one month for every year of paid installment to cure any payment default. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of installment have been paid (but with the total not to exceed 90% of the total payments).Buyers who have paid less than two years of installment and who default on installment payments are given at least a 60-day grace period to pay all unpaid installment before the sale can be cancelled, but without right of refund. Downpayments, deposits, or options on the contract shall be included in the computation of the total number of installment payments made.

Republic Act No. 7279, otherwise known as the "Urban Development and Housing Act", as amended by Republic Act No. 10884, and its implementing rules and regulations, also requires developers of proposed residential condominium projects to develop an area for socialized housing equivalent to at least 5% of the condominium area or project cost at the option of the developer in accordance with the standards set by the HLURB and other existing laws. The developer may resort to other manners of compliance as discussed under the section on Subdivision Projects.

Condominium Projects

Republic Act No. 4726 ("RA 4726"), otherwise known as "The Condominium Act", as amended, likewise regulates the development and sale of condominium projects. RA 4726 requires the annotation of the master deed on the title of the land on which the condominium project shall be located. The master deed contains, among other things, the description of the land, building/s, common areas and facilities of the condominium project. A condominium project may be managed by a condominium corporation, an association, a board of governors or a management agent, depending on what is provided in the declaration of restrictions of the condominium project. However, whenever the common areas are held by a condominium corporation, such corporation shall constitute the management body of the project.

Shopping Malls

Shopping mall centers are regulated by the LGU of the city or municipality where the establishment is located. In line with this, mall operators must secure the required mayor's permit or municipal license before operating. In addition, no mall shall be made operational without complying first with the provisions of Republic Act No. 9514, otherwise known as the "Fire Code" and other applicable local ordinances. Furthermore, shopping malls with food establishments must obtain a sanitary permit from the Department of Health. It is also compulsory for shopping malls discharging commercial wastewater to apply for a wastewater discharge permit from the DENR and to pay the fee incidental to the permit.
As a tourism-related establishment, shopping malls may obtain accreditation from the Philippine Department of Tourism ("DOT"). A shopping mall can only be accredited upon conformity with the minimum physical, staff and service requirements promulgated by the DOT. Commercial establishments located within the geographical jurisdiction of the Laguna Lake Development

Authority, such as but not limited to Muntinlupa City, are likewise required to secure clearances prior to commencement of operations.

Local Government Code

Republic Act No. 7160, as amended, otherwise known as the Local Government Code establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The Local Government Code general welfare clause states that every local government unit ("LGU") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, though its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

An ordinance may be repealed by a subsequent ordinance expressly repealing or declaring it as invalid. An ordinance may also be repealed by implication by a subsequent ordinance that is inconsistent or contrary, in whole or in part, to the previous ordinance. Under the LGC, the *Sangguniang Panlalawigan* (provincial council) has the power to review ordinances passed by a component city council and can declare ordinances invalid, in whole or in part, if it finds that the lower council exceeded its authority in enacting the ordinance.

Department of Human Settlements and Urban Development Act

Republic Act No. 11201, otherwise known as "Department of Human Settlements and Urban Development Act was signed by the President on February 14, 2019. The Implementing Rules and Regulations of the Act was approved on July 19, 2019. This Act created the Department of Human Settlements and Urban Development ("DHSUD") through the consolidation of the Housing and Urban Development Coordinating Council ("HUDCC") and HLURB, simultaneously with the reconstitution of HLURB into Human Settlement Adjudication Commission ("HSAC"). The functions of the HUDCC and the planning and regulatory functions of HLURB shall be transferred to and consolidated in the DHSUD, while the HSAC shall assume and continue to perform the adjudication functions of HLURB.

The DHSUD shall:

1. Act as the primary national government entity responsible for the management of housing, human settlement and urban development;

2. Be the sole and main planning and policy-making, regulatory, program, coordination, and performance monitoring entity for all housing, human settlement and urban development concerns, primarily focusing on the access to an affordability of basic human needs. The following functions of HLURB are transferred to DHSUD:

a. The land use planning and monitoring function, including the imposition of penalties for noncompliance to ensure that LGUs will follow the planning guidelines and implement their Comprehensive Land Use Plants (CLUPs) and Zoning Ordinances;

b. The regulatory function, including the formulation, promulgation, and enforcement of rules, standards and guidelines over subdivisions, condominiums and similar real estate developments, and imposition of fines and other administrative sanctions for violations, pursuant to PD 957, as amended, BP 220 and other related laws;

c. The registration, regulation and supervision of Homeowners Associations, including the imposition of fines for violations, pursuant to Republic Act No. 9904, Section 26 of Republic Act No. 8763 in relation to Executive Order No. ("EO") 535, series of 1979, and other related laws; and

d. The adjudicatory mandate of the HLURB.

3. Develop and adopt a national strategy to immediately address the provision of adequate and affordable housing to all Filipinos, and ensure the alignment of the policies, programs, and projects of all its attached agencies to facilitate the achievement of this objective.

All existing policies, and rules and regulations of the HUDCC and the HLURB shall continue to remain in full force and effect unless subsequently revoked, modified or amended by the DHSUD or the HSAC, as the case may be.

All applications for permits, licenses and other issuances pending upon the effectivity of the Act and filed during the transition period shall continue to be acted upon by the incumbents until transition shall have been completed.

All cases and appeals pending with the HLURB shall continue to be acted upon by the HLURB Arbiters and the Board of Commissioners, respectively, until transition shall have been completed and the Commission's operations are in place. Thereafter, the Regional Adjudicators and the Commission shall correspondingly assume jurisdiction over those cases and appeals. All decisions of the Commission shall thenceforth be appealable to the Court of Appeals under Rule 43 of the Rules of Court.

The transition period shall commence upon the effectivity of the Implementing Rules and Regulations and shall end on December 31, 2019. Thereafter, the Act shall be in full force and effect.

Zoning and Land Use

Land use may be also limited by zoning ordinances enacted by LGUs. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant LGU. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the DAR, land classified for agricultural purposes as of or after June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

Property Registration

The Philippines has adopted a system of land registration, which evidences land ownership that is binding on all persons, including the Government. Once registered, title to registered lands can no longer be challenged except with respect to claims noted on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription. Presidential Decree No. 1529, as amended, codified the laws relative to land registration and is based on the generally accepted principles underlying the Torrens System.

After proper surveying, application, publication and service of notice and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within 15 days to the Court of Appeals or the Supreme Court. After the lapse of the period of appeal, the Register of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration.

Similarly, in an administrative proceeding, the land is granted to the applicant by the DENR by issuance of a patent and the patent becomes the basis for issuance of the Original Certificate of Title by the Register of Deeds. All land patents such as homestead, sales and free patents, must be registered with the appropriate registry of deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

Any subsequent transfer of encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new Transfer Certificate of Title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

Nationality Restrictions

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures. However, with respect to condominium developments structured as condominium corporations, the foreign ownership of condominium units is limited to 40%.

Republic Act No. 7042, as amended, otherwise known as the "Foreign Investments Act of 1991," and the Eleventh Regular Foreign Investment Negative List promulgated on October 29, 2018, provides that certain activities are nationalized or partly-nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly-nationalized and thus, landholding companies may only have a maximum of 40% foreign equity.

On May 20, 2013, the Philippine SEC issued Memorandum Circular No. 8, Series of 2013 which provided the Guidelines on compliance with the Filipino-Foreign ownership requirements under the Philippine Constitution and other existing laws by corporations engaged in nationalized or partly nationalized activities. The Guidelines provide that for purposes of determining compliance with the foreign equity restrictions in Nationalized Corporations, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. The continuing validity of this Memorandum Circular was affirmed by the Supreme Court in the 2016 case of *Jose M. Roy v. Teresita Herbosa, et. al* (G.R. No. 207246, November 22, 2016).

Real Property Taxation

Real property taxes are payable annually based on the property's assessed value. The assessed value of property and improvements vary depending on the location, use and the nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed at up to 80% of their fair market value; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. An additional special education fund tax of 1% of the assessed value of the property is also levied annually.

The basic real property tax and any other tax levied on real property constitute a lien on the property subject to tax, superior to all liens, charges or encumbrances in favor of any person, irrespective of the owner or possessor thereof, enforceable by administrative or judicial action, and may only be extinguished upon payment of the tax and the related interests and expenses. Should the reasonableness or correctness of the amount assessed be questioned, a protest in writing may be filed with the treasurer of the local government unit, but the taxpayer must first pay the tax, and the tax receipts shall be annotated with the words "paid under protest."

ENVIRONMENTAL LAWS

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an ECC prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau ("EMB"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas. While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects' environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The ECC is a Government certification, that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project's abandonment phase. The ECC also provides for other terms and conditions, any violation of which would result in a fine or the cancellation of the ECC.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations. Aside from EIS and IEE, engineering, geological, and geo-hazard assessments are also required for ECC applications covering subdivisions, housing, and other development and infrastructure projects.

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

The Company incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

OTHERS

Securities and Exchange Commission

Under the SRC, the SEC has jurisdiction and supervision over all corporations, partnerships or associations that are grantees of primary franchises, license to do business or other secondary licenses. It regularly issues regulations on incorporation, reportorial requirements applicable to all corporations, and corporate governance, among others. As the government agency regulating the Philippine securities market, the Philippine SEC issues regulations on the registration and regulation of securities exchanges, the securities market, securities trading, the licensing of securities brokers and dealers and reportorial requirements for publicly listed companies and the proper application of SRC provisions, as well as the Revised Corporation Code, and certain other statutes.

Department of Trade and Industry

The DTI is the primary government agency with the dual mission of facilitating the creation of a business environment wherein participants could compete, flourish, and succeed and, at the same time, ensuring consumer welfare. It is also charged with the enforcement of laws to protect and educate consumers; consumer awareness becomes the driving factor in the relationship of DTI and real estate developers, such as the Company.

Department of Labor and Employment

Department of Labor and Employment stands as the national government agency mandated to formulate policies, implement programs and services, and serve as the policy-coordinating arm of the Executive Branch of the Government in the field of labor and employment. The Department has exclusive authority in the administration and enforcement of labor and employment laws and such other laws as specifically assigned to it or to the Secretary of Labor and Employment.

Social Security System and PhilHealth

An employer, or any person who uses the services of another person in business, trade, industry or any undertaking is required under the Social Securities Act of 1997 (Republic Act No. 8282) to ensure coverage of employees following procedures set out by the law and the Social Security System of the Philippines ("SSS"). The employer must deduct from its employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

PhilHealth is a government corporation attached to the DOH that ensures sustainable, affordable and progressive social health insurance pursuant to the provisions of Republic Act No. 7875 or the "National Health Insurance Act of 1995." Employers are required to ensure enrollment of their employees in a National Health Program being administered by the PhilHealth.

National Privacy Commission

Republic Act No. 10173, otherwise known as the "Data Privacy Act of 2012" ("DPA"), was signed into law on August 15, 2012, to govern the processing of all types of personal information (*i.e.,* personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System or ICT, which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law expressly provides that it does not apply to certain types of information, including those necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the DPA and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The DPA seeks to protect the confidentiality of "personal information," which is defined as "any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual." The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on "personal information controllers" and "personal information processors." It also provides for penal and monetary sanctions for violations of its provisions.

Philippine Competition Commission

Republic Act No. 10667 or the Philippine Competition Act (the "PCA") came into effect August 5, 2015 and is the primary competition law in the Philippines.

The PCA was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the "PCC"), an independent quasi-judicial agency with powers to conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities.

The PCA prohibits and imposes sanctions on:

1. Anti-competitive agreements between or amongst competitors that restrict competition as to price or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;
2. Practices which are regarded as abuse of dominant position by engaging in conduct that would substantially prevent, restrict or lessen competition; and
3. Mergers or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services.

Parties to a merger, acquisition or joint venture are required to comply with the compulsory notification requirements of the PCC, the agency responsible for the implementation of the PCA, within 30 days from signing the definitive agreement and before consummating the transaction.

PCA provides for mandatory notification to the PCC where the value of such transaction exceeds ₱ 2.4 billion ("Size of Transaction"), and where the size of the ultimate parent entity of either party exceeds ₱ 6 billion ("Size of Party"). Notification is also mandatory for joint venture transactions if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱ 2.4 billion; or (b) the total revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱ 2.4 billion and the aggregate annual total revenues or value of the assets in the Philippines of the ultimate parent entity of one of the parties to the transaction exceeds ₱6 billion.

An agreement consummated in violation of the compulsory notification requirement shall be considered void, and shall subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱ 50 million but not more than ₱ 250 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱ 100 million to ₱ 250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

Notably, the Bayanihan 2 Act exempts mergers or acquisitions with transaction values below ₱ 50,000,000,000 from mandatory review for a period of two years from the effectivity of the Bayanihan 2 Act. Such transactions are likewise exempt from the PCC's *motu proprio* review for a period of one year from the effectivity of the Bayanihan 2 Act. However, transactions entered into prior to the effectivity of the Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act shall not be covered by the exemption from the PCC's power to review transactions motu proprio. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC motu proprio after one year from the effectivity of the law.

Bangko Sentral ng Pilipinas

Under current BSP regulations, an investment in Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and/or the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration with the BSP is not required. BSP Circular No. 471 issued on January 24, 2005 subjects foreign exchange dealers and money changers to Republic Act No. 9160 (the "Anti-Money Laundering Act of 2001", as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed in the PSE may be done directly with a custodian bank duly designated by the foreign investor. A custodian bank may be a universal or commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document ("BSRD") or BSRD Letter-Advice from the registering custodian bank and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (1) the BSRD or BSRD Letter-Advice; (2) the cash dividends notice from the PSE and the Philippine Depository and Trust Corporation (formerly the Philippine Central Depository) showing a printout of cash dividend payment or computation of interest earned; (3) the copy of the corporate secretary's sworn statement attesting to the board resolution covering the dividend declaration and (4) the detailed computation of the amount applied for in the format prescribed by the BSP. For direct foreign equity investments, the latest audited financial statements or interim financial statements of the investee firm covering the dividend declaration period need to be presented in addition to the documents enumerated above. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during a foreign exchange crisis, when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that the foreign exchange regulations issued by the BSP will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

Anti-Money Laundering

Republic Act No. 11521, amending Republic Act No. 9160 or the Anti-Money Laundering Law, which took effect on January 30, 2021, revised the Anti-Money Laundering Law to among others, expand the list of covered persons to include real estate developers (RED), real estate brokers (REB), offshore gaming operators (OGO), OGO-service providers. Thus, these persons and entities are required to report covered and suspicious transactions to the Anti-Money Laundering Council (AMLC) within the period prescribed and for the threshold amount fixed by law. Section 4 Rule 22 of the 2018 Implementing Rules and Regulations (IRR) provides that all covered persons shall register with the AMLC's electronic reporting system which is free and online. Non-registration is an administrative offense and failure to electronically file covered and suspicious transaction reports with the AMLC, which is a money laundering offense. REDs, REBs, OGOs and OGO-service providers had until March 16, 2021 to register.

A covered transaction is a transaction in cash or other equivalent monetary instrument involving a total amount in excess of ₱ 500,000.00 within one banking day ("Covered Transaction"). A covered person, is required to report to the AMLC all Covered Transactions within five working days from occurrence thereof, regardless of the mode of payment used in the settlement thereof, including transactions in checks, fund transfers, and/or debiting or crediting of accounts, except those transactions covered under the no/low risk transactions. On the other hand, a suspicious transaction is one where any of the following exists:

1. There is no underlying legal/trade obligation, purpose or economic justification;
2. The client is not properly identified;
3. The amount involved is not commensurate with the business or financial capacity of the client;
4. Taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the AMLA;
5. Any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the covered person;
6. The transaction is in any way related to an unlawful activity or any money laundering activity or offense under the AMLA, that is about to be, is being or has been committed; or
7. Any transaction that is similar, analogous or identical to any of the foregoing.

Covered persons should have systems in place that would alert its responsible officers of any circumstance or situation that would give rise to a suspicion of a money laundering activity or transaction. Covered persons shall formulate a reporting chain under which a suspicious transaction or circumstance will be processed, analyzed and investigated. Said chain should include the designation of a Board Level or approval Committee or the Chief Compliance Officer as the ultimate decision maker on whether or not the covered person should file a report to the AMLC.

Covered persons shall file complete and accurate Suspicious Transaction Reports (STRs) with the AMLC within five working days from the occurrence thereof. "Occurrence" refers to the date of determination of the suspicious nature of the transaction, which determination shall be made not exceeding ten calendar days from date of transaction. However, highly unusual or suspicious transactions, activities or circumstances conducted in the presence of, or immediately known or apparent to, the personnel handling the transaction shall be reported to the AMLC within five working days from the date of the transaction. A "highly unusual" or suspicious transaction is one where, at the moment of transaction, the person handling the transaction has knowledge and reason to suspect that the funds being transacted are related to an unlawful activity.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by the Company's Board of Directors. The Company's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review.

Pursuant to the Company's current Articles of Incorporation, as amended on June 16, 2016, the Board consists of nine members. As of the date of this Prospectus, two members of the Board are independent directors. The directors were elected at the Company's annual shareholders meeting on June 25, 2021 and will hold office for a period of one (1) year from their election and until their successors have been duly elected and qualified.

The table below sets forth each member of the Company's Board and Executive Officers as of the date of this Prospectus.

Name	Age	Nationality	Position
Vicente R. Santos.	64	Filipino	Chairman of the Board
Exequiel D. Robles	66	Filipino	Director and President
Mariza Santos- Tan	63	Filipino	Director and Treasurer
Aurora D. Robles	54	Filipino	Director and Assistant Treasurer
Antonio D. Robles	57	Filipino	Director
Simeon S. Cua	64	Filipino	Director
Orestes R. Santos	59	Filipino	Director
Renato C. Francisco	72	Filipino	Independent Director
Danilo A. Antonio	66	Filipino	Independent Director
David M. Dela Cruz	54	Filipino	Executive Vice President / Chief Financial Officer and Chief Risk Officer
Patricia A. O. Bunye	52	Filipino	Corporate Secretary
Pancho G. Umali	44	Filipino	Assistant Corporate Secretary
Crystal I. Prado	40	Filipino	Assistant Corporate Secretary
Jeremiah T. Pampolina	44	Filipino	Chief Compliance Officer
Ace Franziz D. Cuntapay	27	Filipino	Internal Auditor and Data Protection Officer

The business experience of each of the directors and advisors in the last five years or more is set forth below.

VICENTE R. SANTOS, Chairman of the Company. He is also Executive Vice President of the Sta. Lucia Realty & Development, Inc.; Chairman of the Board of Directors of Sta. Lucia East Cinema Corp, Sta. Lucia East Supermarket Corp., Santalucia Ventures, Inc. and Sta. Lucia East Bowling Center, Inc.; and member of the Board of Directors of Sta. Lucia East Commercial Corp., Sta. Lucia East Department Store, Inc., SLLI Global Marketing Inc. and Sta. Lucia Homes, Inc. Mr. Santos holds a Bachelor's degree in Management from San Sebastian College.

EXEQUIEL D. ROBLES, President and Director of the Company. He is also the President of Sta.Lucia Realty & Development, Inc., Sta. Lucia East Cinema Corp., Sta. Lucia East Commercial Corp., Sta. Lucia East Department Store Inc., and Sta. Lucia East Supermarket Corp. He is a Director of SLLI Global Marketing Inc., Santalucia Ventures, Inc., Sta. Lucia Homes, Inc. and Sta. Lucia East Bowling Center, Inc. Mr. Robles holds a Bachelor's degree in Business Administration/Accounting from San Sebastian College.

MARIZA R. SANTOS-TAN, Director and Treasurer of the Company. She is also a Director and the Corporate Secretary of Sta. Lucia Realty & Development, Inc., Sta. Lucia East Cinema Corporation, Sta. Lucia East Commercial Corp., Sta. Lucia East Bowling Center, Inc., Sta. Lucia East Department Store Inc.; and Sta. Lucia East Supermarket Corp. Ms. Santos-Tan holds a Bachelor's degree in Management from San Sebastian College. She also completed the Strategic Business Economics Program from the University of Asia and the Pacific.

AURORA D. ROBLES, Director and Assistant Treasurer of the Company. She is also the Purchasing Manager of Sta. Lucia Realty & Development, Inc.; Chief Administrative Officer of Sta. Lucia East Cinema Corp.; Treasurer of Sta. Lucia East Supermarket Corp., and a Director of Sta. Lucia East Bowling Center, Inc, Sta. Lucia East Department Store Inc. and Sta. Lucia East Commercial Corp. Ms. Robles holds a Bachelor's degree in Management from St. Paul College.

ANTONIO D. ROBLES, Director of the Company. He is also a Director of Sta. Lucia Homes Inc. Mr. Robles holds a Bachelor's degree in Psychology from the University of Sto. Tomas.

SIMEON S. CUA, Director of the Company. He serves as the President of the Philippine Racing Club, Inc. and Cualoping Securities Corporation, and currently sits as an Independent Director of AREIT, Inc. Mr. Cua obtained his Bachelor of Law degree from Ateneo de Manila University.

ORESTES R. SANTOS, Director of the Company. He holds a Bachelor's degree in Marketing from San Sebastian College.

RENATO C. FRANCISCO, Independent Director of the Company. He served as Associate Justice of the Court of Appeals from 2012 to 2018 and Presiding / Executive Judge of the Regional Trial Court - Malolos Bulacan from 1996 to 2012, Assistant Prosecutor - Makati City, Assistant Provincial Prosecutor – Rizal and OIC Legal Division of Metrobank. Mr. Francisco holds a Bachelor of Arts in English and Philosophy from San Beda College Manila and Bachelor of Laws from Ateneo De Manila University.

DANILO A. ANTONIO, Independent Director of the Company. He serves as CEO of Land-Excel Consulting Inc, President of West Palawan Premiere, and is a Professor of Entrepreneurship at the Ateneo De Manila Graduate School of Business. Mr. Antonio holds a Bachelor of Arts in Economics from De La Salle University (summa cum laude) and Master in Business Management from the Asian Institute of Management (with distinction). Mr. Antonio previously served as President of Eton Properties, Head of Business Development of Rockwell, Managing Director of Filinvest Malls, President BDO Realty Corp., Chairman of the Board of Tagaytay Glasssland & Canyon Resort Club, Co-Founder & COO of Landco Pacific Corp., President SM Cinemas Manpower Corporation and Senior Manager of Ayala Land Inc. He also served as undersecretary of the Office of the Presidential Assistant for Rehabilitation and Recovery (OPARR), Professor of Business Management at the Asian Institute of Management and Management Committee Member and Advisor AIM Conference Center Manila.

DAVID M. DELA CRUZ, CPA, Executive Vice President & CFO of the Company. He served as Vice President and Chief Financial Officer of Atlas Consolidated Mining and Development Corp., SAVP of Corporate Credit Risk Management – BDO– AC&D Corporate Partners; Vice President / Head of Sales of Amsteel Securities Philippines Inc; Senior Manager – Investment Banking for Deutsche Morgan Grenfell Hong Kong Limited; Acting General Manager & Marketing Head for UBP Securities / Manager – Investment Banking for UBP Capital Corporation; and Senior Auditor for SGV & Co. Mr. Dela Cruz holds a Bachelor's Degree in Economics and BSC Accounting, and Masters in Business Administration, from De La Salle University. He attended a management program in mergers and acquisitions at Stanford University and placed 9th in the 1987 CPA board examinations.

ATTY. PATRICIA A. O. BUNYE, Corporate Secretary of the Company. She is a Senior Partner of Cruz Marcelo & Tenefrancia; the Founding President / Trustee of Diwata-Women in Resource Development, Inc. and the Corporate Secretary of PTFC Redevelopment Corporation. She served as President of the Integrated Bar of the Philippines (Pasay, Parañaque, Las Piñas & Muntinlupa Chapter) and Licensing Executives Society Philippines; and Secretary, 15th House of Delegates National Convention, IBP. Atty. Bunye holds a Bachelor's degree in Legal Management from Ateneo de Manila University, and obtained her Juris Doctor degree from Ateneo de Manila University School of Law.

ATTY. PANCHO G. UMALI, Assistant Corporate Secretary of the Company. He is a Senior Partner in Cruz Marcelo & Tenefrancia. He has served as First Vice President of The Law Foundation of Makati, Inc.; Treasurer of Taguig Lawyers League and Junabejo Food Corporation; Corporate Secretary of Philippine Equity Partners, Inc., Haw Par Tiger Balm (Philippines), Inc., China Systems Technology Corporation, Junabejo Trading Corporation, Junabejo Food Corporation, IAMSPA, Inc., Sincere Façade Philippines, Inc., Sincere Façade Innovations, Inc. and Vicar Mining Corporation; Assistant Corporate Secretary of La Golondrina, Inc., Lawphil Investments, Inc., Baesa Redevelopment Corporation, PTFC Redevelopment Corporation, and CVCLAW Center Condominium Corporation. He has held directorship roles at China Systems Technology Corporation, Haw Par Tiger Balm (Philippines), Inc., Catania Property Holdings, Inc., Cosmo System Corporation; Junabejo Trading Corporation, Junabejo Food Corporation, Loscano Holdings, Inc.; IAMSPA, Inc., Sun East Asia Corporation, Sincere Façade Philippines, Inc., Sincere Façade Innovations, Inc., Synchrogenix Philippines, Inc., Union Earn Holdings, Inc., Wooloomooloo Steakhouse Philippines, Inc., and Mantaray Resorts, Inc. Atty. Umali Bunye holds a Bachelor's degree in Philosophy, and obtained his Bachelor of Laws degree, fromt the University of the Philippines.

ATTY. CRYSTAL I. PRADO, Assistant Corporate Secretary and Vice President for Legal Affairs of the Company. She serves as Legal Counsel of Sta.Lucia Realty & Development, Inc.; Corporate Secretary of Santalucia Ventures, Inc. and Sta. Lucia Homes, Inc.; Assistant Corporate Secretary of The Mills Country Club, Inc.; College Instructor of St. Joseph's College of Quezon City; Program Coordinator and Director for Education of Sta. Lucia Foundation, Inc.; and Consultant for Sta. Lucia Leisure, Inc., Sta. Lucia Volleyball Club, Firestarters Productions, Inc. and Siddharta Techwork. Atty. Prado holds a Bachelor's degree in Secondary Education from the University of Santo Tomas, and Bachelor of Laws degree from the University of the East.

JEREMIAH T. PAMPOLINA, Chief Compliance Officer and Vice President for Investor Relations & Corporate Planning of the Company. He previously served as Junior Bank Officer of Union Bank of the Philippines, Business Development Manager of P. J. Lhuillier Group of Companies, Supply Chain and Operations Manager of Technomarine Philippines and Business Development & Operations Manager of Aboitiz-Jebsen. He was also an Associate Lecturer at De La Salle University teaching Strategic Management.Graduate of AB Management Economics at the Ateneo De Manila University and MBA Graduate with Distinction (Silver Medal), Top 6% of Graduating MBA batch and Dean's Honors List at the De La Salle Graduate School of Business.

ACE FRANZIZ D. CUNTAPAY, CPA, Internal Auditor and Data Protection Officer of the Company. Mr. Cuntapay previously worked with SGV and Co. where he gained 2 years of meaningful experience in audit of banking and specialized industries. Mr. Cuntapay holds a Bachelor of Science degree in Accountancy from University of Saint Louis Tuguegarao.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

In the past 5 years, the following proceedings were filed against the directors and executive officers of the Company in the course of the performance of their duties as directors and officers:

1. VISTA VERDE COUNTRY HOMES VS. EXEQUIEL D. ROBLES, JOHNIELLE KEITH NIETO, OMB-L-C-15-0169. On March 2, 2015, a complaint for violation of Section 3(a) of the Anti-Graft and Corrupt Practices Act was filed against Exequiel Robles, as President of SLRDI, for donating the areas reserved for roads and open spaces in its development plans for Vista Verde Country Homes in favor of the Local Government of Cainta. In its defense, SLRDI alleged lack of jurisdiction, laches, and that the company merely exercised its legal to option to donate the lots in accordance with PD 957. On October 15, 2016, the Ombudsman issued a resolution ruling that the charges could not be sustained against all respondents for lack of sufficient evidence and probable cause. With the dismissal of the case, complainants filed a Petition for Certiorari before the Supreme Court. SLRDI filed its Comment on April 11, 2018 claiming, among others, improper venue since the case should have been filed with the HLURB. The Supreme Court issued a Resolution on July 31, 2018 requiring petitioner to submit a consolidated reply. There has been no development since the July 31, 2018 Resolution.

2. TIMOTHY JASON PERALEJO VS. EXEQUIEL D. ROBLES, VICENTE R. SANTOS, MARIZA SANTOS-TAN, EXALTACION R. JOSEPH, LIBERATO D. ROBLES, FELIZARDO R. SANTOS, IGMIDIO D. ROBLES, LEODEGARIO R. SANTOS, AURORA D. ROBLES, ORESTES R. SANTOS, ROBERTO D. ROBLES, DOMINGA R. ROBLES, ANTONIO D. ROBLES, and ANDREA R. ANDRES, NPS XV-03-INV-17K-11187. A criminal complaint was filed on November 27, 2017 for fraudulent transactions under Section 8(c) and unsound business practice under Section 8(f) in relation to the penal provision of PD 957 or the Subdivision and Condominium Buyers' Protective Decree. Petitioner alleged that when he bought the 245 sqm lot in Quezon City, he was assured of unimpeded access and possession of property. Four years later and despite having clear title to the property, the occupants continue to use the property and has even built a structure over the lot. Petitioner argued that he was made to purchase the property under the pretense that the occupants will be removed. The accused, in defense, maintained that the developer took steps to ensure that the subject property will be free from occupants. On June 26, 2018, the Office of the City Prosecutor of Quezon City dismissed the case on the ground that the acts complained of do not fall within the penal provision of PD 957 and there was no proof of any act of fraud and misrepresentation. Complainant filed a petition for review with the Department of Justice on October 16, 2018, which remains pending as of this date.

Complainant signified his interest to settle and requested for lot replacement instead. Said request was approved and the parties are in the process of preparing the compromise.

3. DEPT. OF AGRARIAN REFORM/PROVINCIAL TASK FORCE VS. EXEQUIEL D. ROBLES, IGMIDIO D. ROBLES, ET. AL. XV-01-INV-18F-00688. Instituted last June 20, 2018 involving Bluemountain Antipolo, the DAR filed a criminal case for illegal conversion of land under Section 73 of Republic Act No. 6657, as amended by Republic Act No. 9700. Section 73 applies to landowners who convert their agricultural lands into non-agricultural purposes without any order of conversion issued by the DAR. On October 5, 2018, the case was dismissed for failure to show that the landowner caused its conversion. Moreover, the offense of conversion does not extend to the directors of the developer. DAR filed a motion for reconsideration on December 17, 2018, which remains pending as of this date.

4. RUSSEL MIRAFLOR VS. EXEQUIEL D. ROBLES, ET., AL., NPS-IV-16-INV-12E-00232. A complaint for Estafa was filed on June 13, 2018 on the ground of failure to develop the Vista Verde Residential Estate in Quezon. Complainant Miraflor argued that he stopped paying after he discovered that the period for development of VistaVerde was about to expire. SLRDI, in its Counter-Affidavit, claim that the case of estafa cannot prosper since the subdivision was completed and is already existing. The filing of the criminal case was merely an afterthought by the complainant after demand letters were sent to Miraflor due to delinquent payments. The Counter-Affidavit was filed in August 2018, and the case remains pending as of this date.

5. MANUEL MORATO ET. AL. VS. EXEQUIEL D. ROBLES, VICENTE R. SANTOS AND LIBERATO D. ROBLES, ET., AL. XV-03-INV-18F-05949. This case involves a complaint for syndicated estafa filed against these directors for entering into a joint venture agreement with Jose L. Morato for the development of a property in Quezon City knowing fully well that the latter was not the owner of the subject properties. Respondents filed their counter-affidavit claiming that (i) they had been given clearance by the HLURB to proceed with the development of the project; (ii) they are innocent third parties who dealt with registered parcels of land; (iii) the elements of syndicated estafa are unfounded and non-existent; and (iv) they entered into an agreement with Jose Morato in good faith. On November 13, 2018, the case was dismissed for insufficiency of evidence. Complainant filed a Petition for Review with the DOJ, which was denied. Undeterred, the Complainant filed a Special Civil Action for Certiorari and Mandamus under Rule 65 (the "Petition") before the Court of Appeals (CA). The CA, in its Resolution dated March 24, 2021 dismissed outright the Petition for being filed out of time. The Complainant filed a Motion for Reconsideration on 26 May 2021, which remains pending as of date.

6. NELSON ZAPEDA VS. EXEQUIEL D. ROBLES NBI-CCN-C-18-06295. This involves a complaint for estafa filed on the premise that the person who supposedly signed the Special Power of Attorney authorizing a certain John Roldan to enter into a joint venture agreement with SLI was dead when the SPA was signed. The case is still under investigation with a possibility of settling amicably.

7. ROSALINA HONRADO VS. EXEQUIEL D. ROBLES NPS Docket No. IV-28-INV-14H-0707. A criminal case for estafa and falsification or estafa through falsification was filed against respondents for allowing the sale of a property in Orchard Residential Estate Gold and Club,

Dasmarinas Cavite with an area that is 100 sqm more than the actual lot. Complainant argued that out of the 759 sqm area specified in the certificate of title, 100sqm was actually a creek. In his counter-affidavit, Robles explained that complainant purchased the property from the previous owner, that he was well aware of the discrepancy and that the refund has been made by SLI in favor of the previous owner. This case was dismissed in 2015.

8. RENATO CABILZO VS. EXEQUIEL D. ROBLES, VICENTE R. SANTOS, MARIZA SANTOS-TAN, EXALTACION R. JOSEPH, FELIZARDO R. SANTOS, ANTONIO D. ROBLES and LIBERATO D. ROBLES. A case for Other Deceits, Syndicated Estafa, Large -Scale Estafa was instituted last September 18, 2015 on the ground that respondents allegedly duped complainants into purchasing a 217 sqm lot in Acropolis even if the joint venture agreement between SLRDI and Surfield had been cancelled. Respondents, in turn, presented copies of their license to sell as issued by the HLURB. They also alleged that complainants failed to present evidence that the transaction took place in Pasig City, warranting the dismissal due to improper venue. Also, complainant failed to prove the elements of estafa since the dispute arising out of the transaction was purely contractual. Complainant appealed the case before the DOJ and the case remains pending.

9. LORENZO E. VELOSO VS. EXEQUIEL D. ROBLES, MARIZA SANTOS-TAN, VICENTE R. SANTOS ET.AL. involving violation of PD 957 and Art. 318 of the Revised Penal Code ("RPC"). The case was filed in light of the alleged failure of SLI to deliver the certificates of title over the subject property. The defense argued that the processing was stalled due to the complainant's refusal to pay the assessed transfer fees. The case was dismissed for lack of probable cause. Complainant appealed the case before the DOJ in 2018 and the case remains pending.

10. DOMINADOR TAN VS. EXEQUIEL D. ROBLES AND STA. LUCIA REALTY AND DEVELOPMENT, INC. Civil Case No. B-9022. On March 25, 2013, Plaintiff Dominador Tan ("Tan") filed a Complaint for recovery of possession with application for the issuance of a Temporary Restraining Order ("TRO") and/or Preliminary Injunction, for alleged encroachment on his lot, made by personnel of SLRDI who have commenced construction works on the property. Mr. Exequiel Robles was impleaded in his capacity as President/Chief Executive Officer of SLRDI. In its Answer, SLRDI alleged that all developments done in the area were confined within the boundaries provided for in the technical descriptions of the certificates of title, which have already been approved by the Bureau of Lands. At this point, SLRDI also offered a Joint Venture Agreement ("JVA") with plaintiff to develop the subject property. On April 5, 2013, the court issued a TRO enjoining SLRDI from continuing with the construction over the property. There is an ongoing negotiation between the wife of Dominador Tan, Mrs. Edith Tan (as Dominador Tan was substituted by his wife after his death) and SLRDI to enter into a JVA to develop the subject property. Pending negotiations, Mrs. Tan requested that she be given a right of way over the subject property. To date, SLRDI has not acted upon the request of Mrs. Tan vis-à-vis the JVA.

11. LA MIRADA ROYALE HOMEOWNER'S ASSOCIATION VS VICENTO R. SANTOS AND LA MIRADA HOMEOWNERS HLURB Case No. NTR-HOA – 082213-575. On August 19, 2013, complainants La Mirada Homeowners' Association ("La Mirada HOA") filed a case with the HLURB for the cancellation of the other five HOA Certificate of Registrations it issued and prayed that it be

declared the only HOA of La Mirada Royale. Respondents, in their Answer dated September 22, 2013, alleged that they are lot owners of La Mirada Royale, and as owner/developer of the subdivision, they have the obligation to initiate the organization of a homeowner's association among the buyers and residents of the projects. On April 30, 2014, HLURB ruled in favor of La Mirada HOA and ordered the revocation of respondents' Certificate of Registration, on the ground that La Mirada HOA registered their HOA with HLURB ahead of the five other HOAs. The Decision also stated that the Respondents were not bona fide homeowners of La Mirada. On April 1, 2015, Respondents' filed their Appeal Memorandum with the OP, alleging that 1) respondent's homeowners' association was first to be duly registered with the HLURB; 2) the Magna Carta for Homeowners and Homeowners' association was not yet in effect when they were registered as the Homeowner's Association, thus, cannot be used as basis in revoking the registration of the respondent associations; 3) the fact that complainant homeowners' association is composed of 58 homeowners (13 directors) as opposed to five directors of respondent association is not ground for the revocation of respondent association. There has been no development since the filing of the Appeal Memorandum.

12. BAYBREEZE EXECUTIVE VILLAGE HOMEOWNERS ASS. VS. EXEQUIEL D. ROBLES AND VICENTE R. SANTOS AND SLRDI HLURB CASE NO. NCRHOA-112613-1932. Homeowners of Baybreeze Executive Village ("Baybreeze") filed a complaint with the HLURB against SLRDI on the alleged mismanagement of the Baybreeze Executive Village. Exequiel D. Robles, Vicente R. Santos and other respondents were sued both in their personal capacities and as responsible officers of SLRDI. Baybreeze prayed that respondents repair the drainage system, low level roads and complete the unmaintained clubhouse. On October 7, 2014, HLURB ordered the respondents to complete the development of the village within one year, as well as to complete the construction of the clubhouse, to upgrade the road network, and fix the streetlights. In the order, HLURB also cancelled the license to sell issued for Bavbreeze. Respondents' appeal was denied by HLURB on the ground that SLRDI still has the obligation to provide and maintain the facilities as there is yet no certificate of completion. SLRDI filed its appeal memorandum with the Office of the President on June 5, 2015. Baybreeze filed its comment/opposition to the appeal memorandum on July 15, 2015. There has been no development since then.

13. GRACE PENDON ET., AL. VS. EXEQUIEL D. ROBLES ET., AL. CHR NO. 2015-0217. On June 19, 2015, Grace Pendon et. al. ("Complainants") filed a complaint with the Commission on Human Rights ("CHR") against Sta. Lucia Realty and Development Corp. Inc. ("SLRDI") for alleged acts of violence committed by their security guards and certain policemen against complainants during the demolition of illegally built structures found inside Rizal Technopark. Exequiel D. Robles and SLRDI were impleaded because of their ownership of Rizal Techno Park. In their counter-affidavit, SLRDI alleged that there was no mention of specific acts committed by Robles or SLRDI in the complaint. SLRDI filed its counter-affidavit with the CHR on July 30, 2015 and alleged that all titles are all in the name of SLRDI. Thus, as developers and registered owners, they were only exercising their right to protect and secure the subdivision from illegal settlers and "professional squatters". On the issue of the acts of violence supposedly committed by the security guards, SLRDI argued that the security guards were only doing their duty from preventing the mob from committing further acts of violence and handling the riots inside SLRDI property. There has been no development since the counter-affidavit was filed.

14. JERRY GALOPE VS. EXEQUIEL D. ROBLES, SLRDI, ET., AL. BSC-2016-04. On March 31, 2016, Jerry Galope ("Galope") filed a complaint against SLRDI, Exequiel D. Robles and several other persons (actual occupants) for quieting of title involving a lot in Meadowood Executive Village, Cavite. In his complaint, Galope alleged that he purchased a parcel of land in Cavite (2,961 sqm) through a Deed of Sale between him and its original owners on February 1, 1990. When he returned to the location in 2012, he was surprised to see that it was already located inside a gated subdivision known as Meadowood Executive Village. Galope believes that the titles were simulated in the subdivision plans used by respondents. SLRDI filed its Answer on July 6, 2018. The case remains pending before the RTC Branch 19 of Bacoor, Cavite.

15. MEGATOP REALTY V. EXEQUIEL D. ROBLES AND VICENTE R. SANTOS. XV-03-INV-20A-00819. Complainant filed a case for estafa against the respondents before the Office of the City Prosecutor of Quezon City (OCP Quezon City) for the alleged failure (i) to account the ₱ 93 million they provided pursuant to their joint venture agreement with SLRDI and (ii) to deliver the titles of the subdivisions lots subject of the agreement. Respondents, in turn, argued that (i) the ₱ 93 million pertains to the 517,997 sqm raw land that Complainant purchased from SLRDI; and that (ii) they have no obligation to deliver all the titles of the subdivision lots in favor of the complainant. In fact, complainant has the obligation to assign 55% of the subdivision lots in favor of SLRDI. On January 6, 2021, OCP Quezon City found probable cause to indict respondents for estafa. Prior to the expiration of the respondents' right to seek reconsideration, OCP Quezon City filed the corresponding Information with the RTC of Quezon City. This prompted respondents to file a Motion for Reconsideration with the Department of Justice on February 22, 2021, which remains pending as of date.

16. MANUEL MORATO ET., AL. VS. LIBERATO D. ROBLES, R-QZN-19-17722-CV. Plaintiffs filed a case for annulment of title with prayer for issuance of preliminary injunction and/or temporary restraining order ("TRO") before the RTC of Quezon City. Instead of filing an Answer, respondent filed a Motion to Dismiss on February 7, 2019, which was granted by the RTC. Plaintiffs filed a Motion for Reconsideration on February 24, 2020. The hearing for the prayer for preliminary injunction and/or TRO was scheduled on 22 June 2021, which was rescheduled in view of the demise of one of the Plaintiffs. One of the defendants requested for suspension of all hearings scheduled from August 5, 2021 to September 19, 2021 in order to allow the parties to hold a dialogue among themselves to rethink their respective position on all family issues.

The Company believes that the pending proceedings disclosed above arose out of the ordinary course of business. As such, the Company is of the opinion that they are not material to an evaluation of the ability or integrity of any of the directors or executive officers involved.

Apart from the pending criminal proceedings disclosed above, to the best of the Company's knowledge and belief, none of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this Prospectus:(1) had any 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 a two-year period of that time; (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC 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, such judgment having not been reversed, suspended, or vacated.

CORPORATE GOVERNANCE

The Company submitted its Manual on Corporate Governance (the "Manual") to the SEC on May 31, 2017 in compliance with SEC Memorandum Circular No. 19, series of 2016. The Company and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in its Manual. An evaluation system has been established by the Company to measure or determine the level of compliance of the Board of Directors and management with its Manual.

Independent Directors

The Manual requires the Company to have two independent directors in the Board of Directors. An independent director is defined as a person who –

1. is not or has not been a senior officer or employee of the Company unless there has been a change in the controlling ownership;

2. is not and has not been in the past three years a director of the Corporation; a director, officer or employee of the Company's Subsidiaries, affiliates, related companies, or of the Company's substantial shareholders and its related companies;

3. has not been appointed as Chairman "Emeritus", "Ex-Officio" directors/officers or member of any advisory board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities in the past three years;

4. is not an owner of more than two percent (2%) of the outstanding shares of the Company, its Subsidiaries, affiliates or related companies;

5. is not a relative of a director, officer or substantial shareholder of the Company or any of its related companies or of any of its substantial shareholders;

6. is not acting as a nominee or representative of any director of the Company or any of its related companies;

7. is not a securities broker-dealer of listed companies and registered issuers of securities;

8. is not retained, either in his/her personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Company, any of its related companies or

substantial shareholder, or is otherwise independent of management and free from any business or other relationship within the past three years;

9. does not engage or has not engaged, whether by himself/herself or with other persons or through a firm of which he/she is a partner, director or substantial shareholder, in any transaction with the Company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his/her independent judgment;

10. is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and

11. is not employed as an executive officer of another company where any of the Company's executives serve as directors.

An independent director may serve for a maximum cumulative term of nine years. The retention of an independent director who has served for nine years may be allowed if the Board provides meritorious justification(s) and seeks shareholders' approval during the annual meeting.

COMMITTEES OF THE BOARD

The Board created and appointed Board members to each of the committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified.

Audit Committee

The Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of which, including the Chairman, shall be independent directors and all of whom must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance. The Chairman of this committee should not be the chairman of the Board or of any other committees.

The Audit Committee has the following specific functions:

1. Assists the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations;

2. Provides oversight over the senior management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include receiving from senior management of information on risk exposures and risk management activities;

3. Provides oversight of the Company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

4. Reviews and approves audit scope and frequency and the annual internal audit plan. The plan shall include the audit scope, resources and budget, necessary to implement it;

5. Discusses with the external auditor before the audit commences the nature, scope and expenses of the audit, and ensure proper coordination where more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

6. Establishes an internal audit department, and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any question of resignation or dismissal;

7. Receives and reviews reports of internal and external auditors and regulatory agencies, where applicable and ensure that management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;

8. Reviews and approves the quarterly, half-year (interim) and annual financial statements before submission to the Board, with particular focus on the following matters:

   - Any change(s) in accounting policies and practices;
   - Areas where a significant amount of judgment has been exercised;
   - Significant adjustments resulting from the audit;
   - Going concern assumptions;
   - Compliance with accounting standards; and
   - Compliance with tax, legal and regulatory requirements.

9. Coordinates, monitors and facilitates compliance with laws, rules and regulations;

10. Establishes and identifies the reporting line of the Chief Audit Executive so that the reporting level allows the internal audit activity to fulfill its responsibilities. The Chief Audit Executive shall report directly to the Audit Committee. The Audit Committee shall ensure that the internal auditors shall have free and full access to all the Company's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work and communicating results, and shall provide a venue for the Audit Committee to review and approve the annual internal audit plan;

11. Recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit (IA) and the audit plan as well as oversee the implementation of the IA Charter;

12. Through the IA Department, monitors and evaluates the adequacy and effectiveness of the Company's internal control system, integrity of financing reporting, and security of physical and information assets;

13. Oversees the IA Department, and recommend the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;

14. Establishes and identifies the reporting line of the IA to enable him/her to properly fulfill his/her duties and responsibilities;

15. Reviews and monitors management's responsiveness to the IA's findings and recommendations;

16. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit form is involved in the activity to secure proper coverage and minimize duplication of efforts;

17. Evaluates and determines the non-audit work, if any, of the external auditor, and periodically review the non-audit fees paid to the external auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report and annual corporate governance report;

18. Reviews the disposition of the recommendations of the external auditor's management letter;

19. Performs oversight functions over the Company's internal and external auditors. It ensures the independence of internal and external auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

20. Coordinates, monitors and facilitates compliance with laws, rules and regulations; and

21. Recommends to the Board the appointment, reappointment, removal and fees of the external audit, duly accredited by the SEC, who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.

As of the date of this Prospectus, the Audit Committee is chaired by Mr. Danilo A Antonio, Jr., while Mr. Vicente R Santos, Mr. Orestes R Santos and Justice Renato C Francisco serve as its members.

Corporate Governance Committee

The Corporate Governance Committee is composed of at least 3 members the majority of whom shall be independent directors, including the Chairman.

The Corporate Governance Committee has the following functions:

1. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of the material changes to the Company's size, complexity and business strategy, as well as its business and regulatory environments;

2. Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts annual self-evaluation of its performance;

3. Ensures that the results of the Board evaluation are shared, discussed, and that the concrete action plans are developed and implemented to address the identified areas for improvement;

4. Recommends continuing education programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;

5. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;

6. Proposes and plans relevant trainings for the members of the Board;

7. Determines the nomination and election process for the Company's directors and has the special duty of defining the general profile of board members that the Company may need and ensure appropriate knowledge, competences and expertise that complement the existing skills of the Board;

8. Establishes a formal and transparent procedure to develop a policy of determining the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates; and

9. Performs the functions previously performed by the Nomination Committee, which are:

    - Accepts nominations from all shareholders to encourage shareholders' participation, pre-screen and prepare a short list of all candidates nominated to become members of the Board;
    - In consultation with the executive or management committee, re-defines the role, duties and responsibilities of the CEO by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times;
    - Considers, among others, the following guidelines in the determination of the number of directorships for the Board: (i) the nature of the business of the Company of which he/she is a director; (ii) age of the director; (iii) number of directorships/active memberships and officerships in other corporations or organizations; and (iv) possible conflict of interest;
    - Develops a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming directors, which among others, compel all directors to declare under the penalty of perjury all their existing business interests or

shareholdings that may directly or indirectly conflict with the performance of their duties as directors once elected.

As of the date of this Prospectus, the Corporate Governance Committee is chaired by Justice Renato R. Francisco, while Mr. Danilo A Antonio, Jr. and Mr. Vicente R. Santos as its members.

Executive Committee

Pursuant to the Company's By-Laws, the Board created an Executive Committee is composed of not less than 3 directors who may act, by majority vote of all its members, on such specific matters within the competence of the Board of Directors except with respect to the following: (i) approval of any action for which stockholders' approval is also required; (ii) the filing of vacancies in the Board; (iii) the amendment or repeal of by-laws or the adoption of new by-laws; (iv) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; (v) a distribution of cash dividends to the stockholders; and (vi) such other matters as may be specifically excluded or limited by the Board of Directors.

As of the date of this Prospectus, the Executive Committee is chaired by Mr. Exequiel D. Robles, while Mr. Vicente R. Santos, Ms. Mariza Santos-Tan, Ms. Aurora D. Robles and Mr. Antonio D. Robles as its members.

Board Risk Oversight Committee

The Board Risk Oversight Committee analyzes and, where appropriate, authorizes the risk proposals whose volume may compromise the Company's solvency and capital adequacy or the recurrence of its earnings. It does the same for other risk proposals that might present potential operational risks or reputational risks in the terms established by the Executive Committee.

As of the date of this Prospectus, the Board Risk Oversight Committee is chaired by Mr. Danilo A Antonio, while Justice Renato C Francisco and Mr. Vicente R. Santos as its members.

Related Party Transactions Committee

Pursuant to the Company's Material Related Party Transactions Policy, the Board constituted the Related Party Transactions Committee which shall be composed or at least three (3) non-executive directors, two of whom should be independent, including the Chairman.

The Related Party Transactions Committee shall have the following specific functions:

1. Review proposed related party transactions before such transactions are submitted for the approval of the Board. The committee shall assess the information provided and evaluate the proposed transaction to determine whether the same is beneficial and in the interest of the Company; and

2. Evaluate reports of abusive material related party transactions and determine the sanctions to be imposed on the personnel, officers or directors who have been found to be remiss in their duties in handling material related party transactions.

As of the date of this Prospectus, the Related Party Transactions Committee is chaired by Justice Renato C Francisco, while Mr. Danilo A Antonio, Mr. Orestes R Santos and Mr. Vicente R. Santos as its members.

EVALUATION SYSTEM AND COMPLIANCE

As part of its system for monitoring and assessing compliance with the Manual and the SEC Code of Corporate Governance, each committee is required to report regularly to the Board of Directors and the Manual is subject to quarterly review, unless the Board decides otherwise. The Compliance Officer is responsible for determining and measuring compliance with the Manual and the SEC Code of Corporate Governance. Any violation of the Company's Manual shall subject the responsible officer or employee to such penalties that will be provided in the rules and regulations that will be adopted by the Board.

SUSTAINABILITY REPORTING

Under the SEC's Memorandum Circular No. 4, Series of 2019 on the Sustainability Reporting Guidelines for Publicly-Listed Companies ("PLCs"), PLCs are mandated to submit their Sustainability Report together with their Annual Report. The Company submitted its Sustainability Report as part of its Annual Report for the year ended December 31, 2020.

The SEC guidelines define sustainability as the development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Relative to this definition, "Sustainability Reporting" is an organization's practice of reporting publicly on its significant economic, environmental and social impacts in accordance with globally accepted standards.

The Sustainability Reporting requirement focuses on the economic, environmental and social disclosures that contribute to describing and measuring the company's sustainability performance, which are in addition to the governance disclosures that are embodied in the PLC's Integrated Annual Corporate Governance Reports.

For the first three years of the submission of the required Sustainability Reports, the SEC is adopting a "comply or explain" approach. This means that PLCs will be required to attach the prescribed reporting template, and that they can provide explanations for items where there is no available data yet.

EXECUTIVE COMPENSATION SUMMARY

For each of the years ended December 31, 2019, 2020 and 2021 (projected), the total salaries and allowances and bonuses paid to the five most highly compensated executive officers are as follows:

SUMMARY ANNUAL COMPENSATION TABLE			
Name and Principal Position	Period	Salary (in thousands)	Bonus (in thousands)

Five most highly compensated executive officers Vicente R. Santos (Chairman) Exequiel D. Robles (President) Mariza Santos – Tan (Treasurer) Aurora D. Robles (Assistant Treasurer) David M. Dela Cruz (Executive Vice President)	2019 2020 2021 (projected)	7,450 7,450 7,450	2,580 2,580 2,580

For each of the years ended December 31, 2019, 2020 and 2021 (projected), the total salaries and allowances and bonuses paid to all other officers as a Company unnamed are as follows:

SUMMARY ANNUAL COMPENSATION TABLE

Name and Principal Position	Period	Salary (in thousands)	Bonus (in thousands)
All other officers and directors as a Company unnamed	2019	2,130	365
	2020	2,130	365
	2021 (projected)	2,130	365

STANDARD ARRANGEMENTS

Other than payment of reasonable gross per diem for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as director.

SIGNIFICANT EMPLOYEES

The entire workforce of the Company is considered significant as each of its employees has his own responsibilities which are supposed to achieve the Company's goals and objectives. While the Company values the contribution of each of its employees, the Company believes that it is not dependent on any single employee. The Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

FAMILY RELATIONSHIPS

As of the date of this Prospectus, family relationships (by consanguinity or affinity up to fourth civil degree) between Directors and members of the Company's senior management are as follows:

1. Exequiel D. Robles, Antonio D. Robles and Aurora D. Robles are siblings ("Robles Siblings").

2. Vicente R. Santos, Mariza R. Santos-Tan and Orestes R. Santos are siblings ("Santos Siblings").

3. The Robles Siblings and Santos Siblings are first cousins.

Other than as disclosed above, there are no other family relationships either by consanguinity or affinity up to fourth civil degree among the Directors, executive officers and members of the Company's senior management known to the Company.

EMPLOYMENT CONTRACTS

The Company and its Subsidiaries have executed pro-forma employment contracts with their staff and officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

There are no arrangements for compensation to be received by these named executive officers from the Company in the event of a change in control.

WARRANTS AND OPTIONS OUTSTANDING

On April 18, 2013, the Board of Directors approved the grant of up to 100 Million shares of stocks as stock options in favor of the Company's employees and consultants, and list the same with the PSE, subject to such further terms and conditions as may be subsequently approved by the Company's Board of Directors. The approval was ratified by the shareholders during its annual meeting held on June 21, 2013.

The grant of stock options is subject to the approval of the SEC and PSE. As of the date of this Prospectus, there are no outstanding options or warrants held by any of the Company's directors and executive officers.

PRINCIPAL SHAREHOLDERS

The following table sets forth the 20 largest shareholders of the Company's outstanding capital stock as of June 30, 2021:

Shareholder	Number of Shares Subscribed	% of Ownership
Sta. Lucia Realty & Development, Inc..........	6,701,005,767	81.7550%
PCD Nominee Corporation – Filipino (Excluding Treasury Shares)............................	1,464,962,606	17.8731%
Bernard D. Lugod..	10,000,000	0.1220%
Thomas Edwin M. Dela Cruz...........................	10,000,000	0.1220%
Citisecurities, Inc.	3,250,000	0.0397%
PCD Nominee Corporation – Non-Filipino.	2,237,001	0.0273%
Ebe Capital Holdings, Inc................................	1,535,000	0.0187%
Exequiel D. Robles..	712,500	0.0087%
Vicente R. Santos	712,494	0.0087%
Julie H. Limtong...	400,000	0.0049%
Francisco Ortigas Sec, Inc...............................	365,000	0.0045%
Pedro O. Tan...	278,050	0.0034%
ASA Color & Chemical Industries, Inc..........	182,774	0.0022%
G & L Securities Co., Inc..................................	70,000	0.0009%
Ambrosio Valdez &/or Felisa Valdez	50,000	0.0006%
Anthony Francis H. Limtong	40,000	0.0005%
Gail Maureen H. Limtong	40,000	0.0005%
Harry James H. Limtong...................................	40,000	0.0005%
John Patrick H. Limtong	40,000	0.0005%
Julie Ann Krisha H. Limtong............................	40,000	0.0005%

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's voting securities as of June 30, 2021:

Name and Address of Record Owners	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	% of Total Outstanding Shares
Sta. Lucia Realty & Development, Inc. Bldg. II, Sta. Lucia East Grand Mall,	-same-	Filipino	6,701,005,767	81.7550

Name and Address of Record Owners	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	% of Total Outstanding Shares
Marcos Highway corner Felix Avenues, Cainta, Rizal				
PCD Nominee Corporation (Filipino) Tower I, The Enterprise Center, 6766 Ayala Ave. corner Paseo de Roxas, Makati City	-same-	Filipino	1,464,962,606	17.8731

As of June 30, 2021, foreign shareholders owned 0.03%, of the outstanding capital stock of the Company. Immediately after the completion of the Offer, foreign equity shall not exceed 40.0% of the Company's total outstanding capital stock.

SECURITY OWNERSHIP OF DIRECTORS AND OFFICERS AS OF JUNE 30, 2021

The following table sets forth security ownership of the Company's Directors, and Officers, as of June 30, 2021:

Name of Beneficial Owner	Title of Class	Number of shares	Nature of ownership	Citizenship	%
Exequiel D. Robles	Common	712,500	D	Filipino	0.008%
	Common	230,000	I	Filipino	0.003%
Vicente R. Santos	Common	712,494	D	Filipino	0.008%
	Common	233,000	I	Filipino	0.003%
Simeon S. Cua	Common	999	D	Filipino	-
Antonio D. Robles	Common	1	D	Filipino	-
Aurora D. Robles	Common	1	D	Filipino	-
Mariza Santos-Tan	Common	1	D	Filipino	-
Orestes R. Santos	Common	1	D	Filipino	-
Jose Ferdinand R. Guiang	Preferred	1	D	Filipino	-
Osmundo C. De Guzman	Common	1	D	Filipino	-
TOTAL	Common	1,424,999	D		0.017%
	Common	463,000	I		0.006%

Notes: (D) refers to direct ownership and (I) refers to indirect ownership.

As of the date of this Prospectus, the security ownership of the following recently elected Directors of the Company is as follows:

Name of Beneficial Owner	Title of Class	Number of shares	Nature of ownership	Citizenship	%
Renato C. Francisco	Common	1,000	D	Filipino	-
Danilo A. Antonio	Common	1,000	D	Filipino	-
TOTAL	Common	2,000	D		-

There is no director or key officer of the Company that owns at least 10% of its issued and outstanding shares of common or preferred stock.

VOTING TRUST HOLDERS OF 5% OR MORE

No shareholder of the Company holds more than 5% of the outstanding capital stock of the Company under a voting trust or similar agreement as of the date of this Prospectus.

CHANGE IN CONTROL

As of the date of this Prospectus, there are no arrangements which may result in a change in control of the Company.

RELATED PARTY TRANSACTIONS

The Company and its Subsidiaries, in their ordinary course of business, engage in transactions with related parties and affiliates. These transactions include advances and reimbursement of expenses. Except where indicated in the table below, settlement of outstanding balances of advances at year end occurs in cash. As of December 31, 2018, 2019, 2020 and June 30, 2021, the Company has not made any provision for impairment losses relating to amounts owed by related parties.

The summary of the Company's transactions with its related parties for the six months ended June 30, 2021 and the year ended December 31, 2020 and the related outstanding balances as of June 30, 2021 and December 31, 2020 are as follows:

	June 2021			
	Volume	**Outstanding**	**Terms**	**Conditions**
Trade receivables				
Ultimate Parent Company (SLRDI)				
Sharing of expenses, collection from buyers collected by SLRDI, unremitted share of SLRDI, marketing fee	(₱12,461,385)	₱572,997,756	Due and demandable; noninterest-bearing	Unsecured; no impairment (Note 15)
Affiliate (SLECC)	1,240,662	38,460,659	Due and demandable; noninterest-bearing	Unsecured; no impairment
Rental and management fee				
Affiliate (Mall Tenants)				
Rental income	(10,316,292)	26,180,134	Due and demandable; noninterest-bearing	Unsecured; no impairment
		₱637,638,549		
Non-trade receivables				
Affiliate (Marketing Arm)				
Advances	₱–	₱921,832	Due and demandable; noninterest-bearing	Unsecured; no impairment
Key officers and directors	₱5,715,979	₱76,846,395	Due and demandable; noninterest-bearing	Unsecured; no impairment
Trade payables				
Ultimate Parent Company (SLRDI)				
Advances	₱2,422,359	₱58,740,908	Payable on demand; noninterest bearing	Unsecured
Advances from shareholders				
Advances	–	16,346,102	Payable on demand; noninterest bearing	Unsecured
		₱75,087,010		

	December 2020			
	Volume	Outstanding	Terms	Conditions
Trade receivables				
Ultimate Parent Company (SLRDI)				

	December 2020			
	Volume	Outstanding	Terms	Conditions
Sharing of expenses, collection from buyers collected by SLRDI, unremitted share of SLRDI, marketing fee	₱137,234,705	₱585,459,141	Due and demandable; noninterest-bearing	Unsecured; no impairment (Note 15)
Affiliate (SLECC)				
Rental and management fee	(7,142,523)	37,219,997	Due and demandable; noninterest-bearing	Unsecured; no impairment
Affiliate (Mall Tenants)				
Rental income	(20,776,640)	36,496,426	Due and demandable; noninterest-bearing	Unsecured; no impairment
		₱659,175,564		
Non-trade receivables				
Affiliate (Marketing Arm)				
Advances	₱200,000	₱921,832	Due and demandable; noninterest-bearing	Unsecured; no impairment
Key officers and directors	₱8,607,794	₱73,130,416	Due and demandable; noninterest-bearing	Unsecured; no impairment
Trade payables				
Ultimate Parent Company (SLRDI)				
Advances	₱17,713,026	₱56,318,549	Payable on demand; noninterest bearing	Unsecured
Advances from shareholders				
Advances	–	16,346,102	Payable on demand; noninterest bearing	Unsecured
		₱72,664,651		

The Company in its regular conduct of business has entered into transactions with related parties. Related Parties, as defined in the Company's Material Related Party Transactions Policy, are the Company's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control, joint control or significant influence of the Company. This also includes the Company's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

These accounts are noninterest-bearing and are generally unsecured. The outstanding accounts with related parties shall be settled in cash. The Company believes that all past related party transactions have been conducted at arm's length on commercially reasonable terms.

The significant transactions with related parties follow:

a. SLI, in the normal course of business, has transactions with SLRDI consisting of non-interest bearing advances for working capital requirements with no fixed repayment terms. These are transactions and related receivable arising from sale of lots to SLRDI. On December 27, 2018, pursuant to the Deed of Assignment, SLRDI and SLI executed the Second tranche. SLI acquired

750.00 million treasury shares at the price of ₱1.20 per share to cover the settlement of the ₱ 900.00 million advances made by SLI to SLRDI.

b. Other transactions with SLRDI include noninterest-bearing cash advances for various charges for reimbursements of expenses on gasoline consumption of service vehicles, repairs and maintenance, supplies, rentals for project exhibits and advertising/marketing costs. This pertains to the monthly amortization payment from the buyers of SLI collected by SLRDI due to be remitted to SLI.

c. In 2014, SLI and SLRDI entered into several memorandums of agreements wherein SLI undertakes the development and marketing of the several projects of SLRDI and has assumed the position of the development contractor and marketing arm. In consideration of the services rendered by SLI, SLRDI has agreed to the following:

   - Colinas Verdes Bulacan Project - SLRDI entered into a joint venture agreement with Araneta Properties, Inc. (API) for a 60% SLRDI - 40% API sharing agreement. SLLI shall be entitled to 75% of SLRDI's share in the joint venture agreement and 12% marketing fee on the gross selling price of all sales made from the project;

   - Green Meadows Iloilo Project - SLRDI entered into a joint venture agreement with AFP-Retirement and Separation Benefits System (ARSBS) for a lot sharing agreement of 55% SLRDI - 45% ARSBS share. SLI shall be entitled to 75% of SLRDI's share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project;

   - Ponte Verde Davao Project - SLRDI entered into a joint venture agreement with Green Sphere Realty Corporation (GSRC) for a lot sharing agreement of 60% SLRDI - 40% GSRC share. SLI shall be entitled to 75% of SLRDI's share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project; and

   - Valle Verde Davao Project - SLRDI entered into a joint venture agreement with GSRC for a lot sharing agreement of 60% SLRDI - 40% GSRC share. SLI shall be entitled to 75% of SLRDI's share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project.

   Total proceeds share of SLRDI from the joint operations amounted to ₱92.27 million, and ₱ 152.58 million as of June 30, 2021 and December 31, 2020, respectively. The share amounting ₱23.07 million and ₱ 38.14 million are still to be remitted or offset against the receivable from SLRDI as of June 30, 2021 and December 31, 2020, respectively.

d. Effective October 1, 2014, SLI directly entered into lease agreements with mall tenants. SLECC and SLI, on the other hand, entered into a management services agreement effective October 1, 2014 wherein SLECC will provide property management and business development services, leveraging its knowledge in the mall operations from the past years. In exchange of SLECC's services, SLI shall pay SLECC a management fee equivalent to 5% of the gross rental revenue for managing mall operations including, repairs and maintenance and collection of space rental from storeowners or tenants.

These are receivables from affiliates which are tenants of the mall.

e. SLI made noninterest-bearing cash advances to officers and directors which will be liquidated upon completion of the business transaction.

   These advances amounted to ₱ 5.72 million and ₱ 8.61 million as of June 30, 2021 and December 31, 2020, respectively.

As of June 30, 2021, the Company has not made any provision for Expected Credit Losses (ECL) relating to amounts owed by related parties. There have been no guarantees and collaterals provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. This assessment of the Company is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

MARKET PRICE

The table below sets out, for the periods indicated, the high and low sales prices for the Company's common shares, as reported on the PSE forth the market prices of the common shares in 2018, 2019, 2020 and first half of 2021.

Quarter	2018		2019		2020		2021	
	High	Low	High	Low	High	Low	High	Low
First	1.06	0.98	1.65	1.24	2.14	1.95	2.33	2.22
Second	1.15	0.99	2.04	1.55	1.90	1.83	2.99	2.80
Third	1.20	1.05	2.68	2.56	2.00	1.85	-	-
Fourth	1.26	1.09	2.48	2.36	1.99	1.93	-	-

In ₱ per share

Source: Bloomberg

As of June 30, 2021, the closing price of the Company's common shares was ₱ 2.96 per share with a total market capitalization of ₱ 24,261 million.

DESCRIPTION OF THE SHARES

The following is general information relating to the Company's capital stock but does not purport to be complete or to give full effect to the provisions of law and is in all respects qualified by reference to the applicable provisions of the Company's Articles of Incorporation and By-Laws.

This Prospectus relates to the offer and sale of 1,000,000,000 up to [2,500,000,000] common shares (the "Firm Shares"), with a par value of ₱1.00 per share, of the Company, by way of primary offer, and an offer of up to [500,000,000] Over-subscription Shares pursuant to the Over-subscription Option. The Offer Shares shall be offered at a price of up to [₱ 2.38 to ₱ 3.29] per share (the "Offer Price"). The determination of the Offer Price is further discussed on page [74] of this Prospectus.

Upon completion of the Offer, assuming the Over-subscription Option is fully exercised, the total outstanding shares of the Company shall be up to [11,196,450,000] common shares, and the Offer Shares will comprise up to [26.79%] of the outstanding capital stock. Assuming that the Over-subscription Option is not exercised, the total outstanding shares of the Company shall be [9,196,450,000 up to 10,696,450,000] common shares, and the Firm Shares will comprise [10.87% up to 23.37%] of the outstanding capital stock.

SHARE CAPITAL INFORMATION

The Company has an authorized capital stock of ₱ 16,000,000,000.00, divided into 16,000,000,000 common shares with a par value of ₱ 1.00 per share. As of the date of this Prospectus, it has 8,196,450,000 common shares issued and outstanding, and 2,600,000,000 treasury shares.

The Offer Shares will be offered and issued by way of primary offering by the Company.

RIGHTS RELATING TO SHARES

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and by-laws of the corporation. Subject to the approval by the SEC, it may increase or decrease its authorized capital stock by amending its articles of incorporation, provided that the change is approved by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

Under Philippine law, the shares of a corporation may either be with or without a par value. All of the common shares currently issued have a par value of ₱ 1.00 per share. In the case of par value shares, where a corporation issues shares at a price above par, whether for cash or otherwise, the amount by which the subscription price exceeds the par value is credited to an account designated as additional paid-in capital or paid-in surplus.

Subject to approval by the SEC, a corporation may increase or decrease its authorized capital shares, provided that the change is approved by a majority of the board of directors of such corporation and shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation voting at a shareholders' meeting duly called for the purpose.

A stock corporation is empowered to acquire its own shares for a legitimate corporate purpose, provided that the corporation has Unrestricted Retained Earnings or surplus profits sufficient to pay for the shares to be acquired. Examples of legitimate corporate purposes are eliminating fractional shares arising out of share dividends, paying dissenting or withdrawing stockholders who exercised their appraisal right (as discussed below), collecting or compromising an indebtedness to the corporation arising out of an unpaid subscription in a delinquency sale, and purchasing delinquent shares during the said sale. When a corporation repurchases its own shares, the shares become treasury shares, which may be resold at a price fixed by the board of directors of such corporation.

The Board is authorized to issue shares from treasury from time to time. Treasury shares may be issued to any person, corporation or association, whether or not a shareholder of the Company, including its officers or employees for such consideration in money as the Board may determine.

Voting Rights

Each common share is entitled to one vote. At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in our books at the time of the closing of the transfer books for such meeting.

In accordance with Section 23 of the Revised Corporation Code of the Philippines, at each election of directors, every stockholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him as of the relevant record date for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number his shares shall equal or by distributing such votes on the same principle among any number of candidates as the stockholder shall see fit.

The Company's shares have full voting rights. However, the Revised Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the Board of Directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

Pre-Emptive Rights

The Revised Corporation Code confers pre-emptive rights on the existing shareholders of a Philippine corporation which entitle such shareholders to subscribe to all issues or other dispositions of shares of any class by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect.

The Articles of Incorporation of the Company deny the pre-emptive rights of its shareholders to subscribe to any or all dispositions of any class of shares of the Company.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

Appraisal Rights

The Revised Corporation Code grants a shareholder a right of appraisal and a right to demand payment of the fair value of his shares in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- an amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;

- the extension or shortening of the term of corporate existence;

- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the corporate property and assets of the corporation, as provided in the Revised Corporation Code;

- a merger or consolidation; and

- investment by the corporation of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

In any of these circumstances, the dissenting shareholder may require the corporation to purchase its shares at a fair value, which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within 30 days after such award has made. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the corporation has Unrestricted Retained Earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Right of Inspection

A shareholder has the right to inspect the records of all business transactions of the corporation and the minutes of any meeting of the board of directors and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. However, the corporation may refuse such inspection if the shareholder demanding to examine or copy the corporation's records has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand. Furthermore, the inspecting shareholder is bound by confidentiality rules under prevailing laws, such as the rules on trade secrets or processes under Republic Act No. 8293 ("Intellectual Property Code of the Philippines"), Republic Act No. 10173, ("Data Privacy Act of 2012"), the SRC, and the Rules of Court.

Right to Financial Statements

A shareholder has a right to be furnished with the most recent financial statement of the corporation, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certificate by an independent certified public accountant.

Dividends

The common shares have full dividend rights. Dividends on the Company's common shares, if any, are paid in accordance with Philippine law. Dividends are payable to all shareholders on the basis of outstanding common shares held by them, each common share being entitled to the same unit of dividend as any other common share. Dividends are payable to shareholders whose names are recorded in the stock and transfer book as of the record date fixed by the Company's Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of common shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

The Company's current dividend policy provides that up to 25% of the prior fiscal year's net income after tax, subject to (i) availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, (iv) working capital requirements, and (v) the approval of the Board may be declared as dividends. There can be no guarantee that the Company will pay any dividends in the future. The declaration and payment of dividends is subject to compliance annually or as often as the Board of Directors may deem appropriate, in cash or in kind and/or in additional shares from its surplus profits. The ability of the Company to pay dividends will depend on its retained earnings level and financial condition. There is no assurance that the Company will pay dividends in the future.

Fixing of Record Dates

Pursuant to the SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than ten and not more than 30 days from the date of declaration of cash dividends. As to stock dividends, the record date shall not be less than 10 nor more than 30 days from the date of shareholder approval.

In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the SEC and shall be indicated in the SEC order which shall not be less than 10 days nor more than 30 days after all clearances and approvals by the SEC shall have been secured. Regardless of the kind of dividends, the record date set shall not be less than 10 trading days from receipt by the PSE of the notice of declaration of the dividend.

Change in Control

There are no existing provisions in the Articles of Incorporation or the By-laws of the Company which will delay, defer or in any manner prevent a change in control of the Company.

SHAREHOLDERS' MEETING

Annual or Regular Shareholders' Meetings

The Revised Corporation Code requires all Philippine corporations to hold an annual meeting of shareholders for corporate purposes, one of which is the election of directors. The By-laws of the Company provide for annual meetings on the 3rd Friday of June of each year to be held at the principal office of the Company, and if a legal holiday then on the business day following.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by the Chairman or any four members of the Board of Directors, or upon the written request of the registered holders of at least 40% of the entire issued and outstanding capital stock of the Company. Special meetings may be held at such places and at such times as may be designated by the Board of Directors in the call.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and time of the meeting, and the purpose or purposes for which the meeting is called. The Company's By-laws provide that the notice of every meeting shall be in writing and shall specify the venue, date, hour and purpose or purposes for which it is called. The notice shall be given by courier, or otherwise sent by registered mail, postage prepaid, at the address of each such stockholder registered with the Corporate Secretary or the Stock Transfer Agent. Every notice of meeting must reach the stockholder at least five days before the date set for the meeting. Unless otherwise provided by law, failure to give notice of the meeting or a defect in giving thereof shall not invalidate a meeting or any action taken thereon, in respect of shareholders who were present or represented at such meeting.

Quorum

In all regular or special meeting of shareholders, a simple majority of the outstanding capital shares entitled to vote must be present or represented in order to constitute a quorum, except in those cases where the Revised Corporation Code provides a greater percentage vis-á-vis the total outstanding capital stock. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of shares shall be presented.

Pursuant to the Company's By-laws, the chairman of the board, or in case of his absence or disability, the president, may then call to order any meeting of the stockholders, and proceed to the transaction of business, provided a majority of the shares issued and outstanding be present, either in person or by proxy; but if there be no quorum present at any meeting, the meeting may be adjourned by the stockholders present from time to time until the quorum shall be obtained. However, if on the 3rd adjournment of a particular meeting no quorum is attained, no meeting shall thereafter be held except upon the giving of a new notice to the shareholders.

Voting

At all meetings of shareholders, a holder of common shares may vote in person or by proxy, for each share held by such shareholder.

Matters Pertaining to Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented to the Corporate Secretary before or during the meeting. The authority of a proxy shall be in writing, dated and executed by the shareholder of record or by his duly appointed attorney-in-fact whose authority must likewise be in writing. The proxy instrument shall be filed with the Corporate Secretary at least three days before the meeting at which the proxy proposes to vote is called to order.

Proxies should comply with the relevant provisions of the Revised Corporation Code, the SRC, the IRRs, and regulations issued by the SEC.

ISSUE OF SHARES

Subject to otherwise applicable limitations, the Company may issue additional common shares to any person for consideration deemed fair by the Board, provided that such consideration shall not be less than the par value of the issued common shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent common shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Company's Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

TRANSFER OF SHARES

All transfers of shares on the PSE shall be effected by means of a book-entry system. Under the book-entry system of trading and settlement, a registered shareholder shall transfer legal title over the shares to a nominee, but retains beneficial ownership over the shares. The transfer of legal title is done by surrendering the stock certificate representing the shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee Corporation, a corporation wholly-owned by the PDTC (the "PCD Nominee"). A shareholder may request upliftment of the shares from the PDTC, in which case a stock certificate will be issued to the shareholder and the shares registered in the shareholder's name in the books of the Company. See the section on "The Philippine Stock Market".

Philippine law does not require transfers of the common shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the share transfer tax applicable to transfers effected on the PSE. See "Philippine Taxation." All transfers of shares on the PSE must be effected through a licensed stockbroker in the Philippines.

SHARE REGISTER

The share register is maintained at the principal office of the Company's share transfer agent, Professional Stock Transfer, Inc.

SHARE CERTIFICATES

Certificates representing the common shares will be issued in such denominations as shareholders may request, except that a certificate will not be issued for fractional shares. Shareholders wishing to split their certificates may do so upon application to the Company's share transfer agent, Professional Stock Transfer, Inc., which will maintain the share register. Common shares may also be lodged and maintained under the book-entry system of the PDTC. See "The Philippine Stock Market."

MANDATORY TENDER OFFER

Pursuant to the SRC and its implementing rules and regulations, it is mandatory for any person or group of persons acting in concert to make a tender offer to all the shareholders of the target corporation before the intended acquisition of:

- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company in one or more transactions within a period of 12 months;

- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more stockholders; o

- equity which would result in ownership of over 50% of the outstanding equity securities of a public company.

Pertaining to the first instance, when the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or group of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a pro rata basis according to the number of securities tendered by each security holder. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed to both the selling shareholders with whom the acquirer may have been in private negotiations with and the minority shareholders.

Pertaining to the second instance, the tender offer shall be made for all the outstanding voting shares. The sale of shares pursuant to the private transaction with the stockholders shall not be completed prior to the closing and completion of the tender offer.

Pertaining to the third instance, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of the company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer shall be required to accept all securities tendered.

Further, no mandatory tender is required in:

- purchases of shares from unissued capital shares unless such purchases will result in a 50% or more ownership of shares by the purchaser or such percentage that is sufficient to gain control of the Board;
- purchases from an increase in the authorized capital shares of the target company;
- purchases in connection with a foreclosure proceeding involving a pledge or security where the acquisition is made by a debtor or creditor;
- purchases in connection with a privatization undertaken by the government of the Philippines;
- purchases in connection with corporate rehabilitation under court supervision
- purchases through an open market at the prevailing market price; or
- purchases resulting from a merger or consolidation.

FUNDAMENTAL MATTERS

The Revised Corporation Code provides that the following acts of the corporation require the approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of the corporation: (i) amendment of the articles of incorporation; (ii) removal of directors; (iii) sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the corporation; (iv) investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized; (v) delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws; (vi) merger or consolidation; (vii) an increase or decrease in capital stock; (viii) dissolution; (ix) extension or shortening of the corporate term; (x) creation or increase of bonded indebtedness; (xi) declaration of stock dividends; (xii) management contracts with related parties; and (xiii) ratification of contracts between the corporation and a director or officer.

Further, the approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting shares, is required for the adoption or amendment of the by-laws of such corporation.

ACCOUNTING AND AUDITING REQUIREMENTS

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the Philippine SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the Company for the preceding year. This report is required to include audited financial statements.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Lead Underwriter, or any of the parties or advisors in connection with the offer and sale of the Offer Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulatory, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE maintains a single, unified trading floor in Bonifacio Global City in Taguig City.

In June 1998, the SEC granted the PSE "Self-Regulatory Organization" status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC.

The PSE has an authorized capital stock of ₱ 120 million. As of June 30, 2020, the PSE has 85,164,091 issued and outstanding shares, of which 3,513,954 are treasury shares, resulting in 81,650,137 total shares outstanding. Each of the then 184 member-brokers was granted 50,000 Common Shares of the new PSE at a par value of ₱ 1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President of the PSE. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging ("SME") Board. In 2013, the PSE issued Rules on Exchange Traded Funds ("ETF") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board, or the SME Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in a company's articles of incorporation of the Issuer. Each index represents the numerical average of the prices of component shares.

The PSE has a benchmark index, referred to as the PSEi (previously "PHISIX"), which as at the date thereof reflects the price movements of selected shares listed on the PSE, based on traded prices of shares from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE. On July 26, 2010, the PSE launched a new trading system, PSE Trade. In June 2015, the PSE Trade system was replaced by PSE Trade XTS.

In December 2013, the PSE EDGE, a new disclosure system co-developed with the Korea Exchange, went live. The PSE EDGE system provided a dedicated portal for listed company disclosures and also offered a free-to-download mobile application for easy access by investors.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of 10 guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

The table below sets out movements in the composite index from 2005 to 2020 and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (₱ billions)	Combined Value of Turnover (₱ billions)
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	240	7,172.8	572.6
2007	3,621.6	244	7,978.5	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	253	8,697.0	1,422.6
2012	5,812.7	254	10,930.1	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.4
2016	6,840.6	265	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	3,596.9
2018	7,466.0	267	16,146.7	1,736.8
2019	7,815.3	271	16,710.0	1,770.0
2020	7,139.71	274	15,888.92	1,770.90

Source: PSE and PSE Annual Reports.

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stock brokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 p.m. for the morning session, and resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session. Trading days are Monday to Friday, except legal and special holidays and days when the BSP clearing house is closed. Commencing on March 19, 2020 on account of the COVID-19 pandemic, trading in the PSE is a continuous session from 9:30 a.m. to 1:00 p.m. daily. Minimum trading lots range from five to 1,000,000 shares depending on the price range and nature of the security traded. The minimum trading lot for a company's shares is 100 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE.

- In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C); otherwise, such order will be rejected by the PSE.

Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

NON-RESIDENT TRANSACTIONS

When the purchase or sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated with foreign exchange sourced from the Philippine banking system.

SETTLEMENT

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for: (i) synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of clearing members, who are also PSE Trading Participants; (ii) guaranteeing the settlement of trades in the event of a PSE Trading Participant's default through the implementation of its "Fails Management System" and administration of the Clearing and Trade Guaranty Fund; and (iii) performance of risk management and monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book entry system of the PDTC. Each PSE Trading Participant maintains a Cash Settlement Account with one of the nine existing settlement banks of SCCP, which are Banco de Oro Unibank, Inc. ("BDO"), Rizal Commercial Banking Corporation ("RCBC"), Metropolitan Bank and Trust Company ("Metrobank"), Deutsche Bank ("DB"), The Hong Kong Shanghai Banking Corporation Limited ("HSBC"), Unionbank of the Philippines ("Unionbank"), and Maybank Philippines Inc. ("Maybank Philippines"), Asia United Bank Corporation ("AUB"), and China Banking Corporation ("Chinabank"). Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement ("CCCS") system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

SCRIPLESS TRADING

In 1995, the PDTC, was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO, RCBC, Metrobank, DB, HSBC, Unionbank, and Maybank Philippines.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee Corporation ("PCD Nominee"), a corporation wholly owned by the PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares to PCD Nominee will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g., brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedure of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are generally on the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee Corp. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

AMENDED RULE ON LODGMENT OF SECURITIES

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate, in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III, Part A of the PSE's Revised Listing Rules.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Commission in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof as follows:

> *"For new companies to be listed at the PSE as of 1 July 2009 the usual procedure will be observed but the Transfer Agent of the companies shall no longer issue a certificate to PCD Nominee*

Corp. but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date."

"On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the issuer's registry as of confirmation date."

ISSUANCE OF STOCK CERTIFICATES FOR CERTIFICATED SHARES

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

AMENDED RULE ON MINIMUM PUBLIC OWNERSHIP

On December 1, 2017, the SEC issued SEC Memorandum Circular No. 13, Series of 2017 ("SEC MC 13-2017") on the rules and regulations on minimum public ownership ("MPO") on initial public offerings. Under SEC MC 13-2017, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20% of the companies' issued and outstanding shares. It shall, at all times, maintain an MPO of at least 20%. If the MPO of the company falls below 20% at any time after registration, such company shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

The determination of whether shareholdings are considered public or non-public is based on: (a) the amount of shareholdings and its significance to the total outstanding shares; (b) the purpose of investment; and (c) the extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (i) individuals whose shares are not of significant size and which are non-strategic in nature; (ii) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (iii) investment funds and mutual funds; (iv) pension funds which hold shares in companies other than the employing company or its affiliates; (v) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (i.e., shareholdings by an owner of 10% or more are excluded and considered non-public); and (vi) Social Security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the minimum public ownership requirement will be suspended from trading for a period of not more than six months and will be automatically delisted if it remains non-compliant with the said requirement after the lapse of the suspension period.

Notwithstanding the quarterly public ownership report requirement of the PSE, listed companies listed on the PSE are required to (a) establish and implement an internal policy and procedure to monitor its MPO levels on a continuous basis; and (b) immediately report to the SEC within the next business day if its MPO level falls below 20%. Listed companies are also required to submit to the SEC a time-bound business plan describing the steps that the company will take to bring the public float to at least 20% within a maximum period of 12 months from, within ten days from knowledge that its MPO has become deficient. Listed companies are also required to submit to the SEC a public ownership report and progress report on any such submitted business plan within 15 days after end of each month until such time that its MPO reaches the required level.

The MPO requirement also forms part of the requirement for the registration of securities. Non-compliance with these MPO requirements subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the SEC.

The PSE has also issued Memorandum Circular 2020-0076 on August 3, 2020 which contain the Guidelines on Minimum Public Ownership Requirement for Initial and Backdoor Listings (the "2020 MPO Guidelines"). The following are the salient points of the 2020 MPO Guidelines:

1. A company applying for initial listing through an initial public offering ("IPO") is required to have a minimum public offer size of 20% to 33% of its outstanding capital stock post-IPO, as follows:

Market Capitalization	Public Offer
Not exceeding P500M	33% or P50M, whichever is higher
Over P500M to P1B	25% or P100M, whichever is higher
Over P1B	20% or P250M, whichever is higher

   The company must maintain a public ownership level of at least 20% at all times after initial listing.

2. A company applying for listing by way of introduction is required to have at least 20% public float upon and after listing.

3. A company doing a backdoor listing is required to have at least 20% public float upon and after listing.

As of date, the SEC is looking at increasing the MPO requirement of existing listed companies to 15.0%, such proposed rules on MPO are yet to be issued by SEC for comments by the public.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership, and disposition of the Offer Shares. The statements made below regarding taxation in the Philippines are based on the laws in force at the date of this Prospectus and are subject to any changes in law occurring after such date. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the Offer Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates or tax incentives under special laws. Prospective purchasers of the Offer Shares are advised to consult their own tax advisers concerning the tax consequences of their investment in the Offer Shares.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business in the Philippines"; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business in the Philippines." A "foreign corporation" is a corporation that is not created or organized in the Philippines or under its laws. A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business within the Philippines.

Corporate Income Tax

The Duterte Administration's Comprehensive Program ("CTRP") seeks to create a simpler, fairer and more efficient tax system. The first phase, Republic Act No. 10963 otherwise known as the Tax Reform for Acceleration and Inclusion ("TRAIN Law") took effect on January 1, 1988. It amended various provisions of the Tax Code including provisions on DST, tax on income and other distributions, capital gains tax on the sale and disposition of shares of stock, estate tax, and donor's tax but not changes in corporate income taxation. This was addressed in the second phase of the CTRP or Republic Act No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises ("CREATE Act") which was signed into law on March 26, 2021 and took effect on April 11, 2021.

Under the CREATE Act, a domestic corporation is subject to a tax of 25% of its taxable income from all sources within and outside the Philippines beginning July 1, 2020, provided that domestic corporations with next taxable income not exceeding ₱ 5,000,000.00 and with total assets not exceeding ₱ 100,000,000.00 (excluding land on which the particular business entity's office, plant and equipment are situated during the taxable year for which the tax is imposed). MSMEs shall be taxed at 20%. Taxable net income refers to items of income specified under Section 32(a) of the Tax Code less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

Any excess of the Minimum Corporate Income Tax (MCIT), beginning July 1, 2020 and until June 30, 2023, shall be computed at 1% (from the previous 2%) of the gross income.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Group for CY2020 is 27.50%. This will result in lower provision for current income tax for the year ended December 31, 2020, and lower income tax payable as of December 31, 2020, amounting to ₱ 186.21 million and ₱ 70.42 million, respectively or a reduction of ₱ 16.93 million. The reduced amount will be reflected in the Group's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

- This will result in lower deferred tax liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱ 40.59 million. These reductions will be recognized in the 2021 financial statements.

SALE, EXCHANGE OR DISPOSITION OF SHARES

Taxes on Transfer of Shares Listed and Traded on the PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax, a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident shareholder (other than a dealer in securities) is subject to a percentage tax usually referred to as a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of its client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to the stock transaction tax. However, exemptions from capital gains tax under certain income treaties may not be applicable to the stock transaction tax.

In addition, a VAT of 12% is imposed on the commission earned by the PSE-registered broker, which the broker generally passes on to its client, the seller or transferor.

On November 7, 2012, the BIR issued RR No. 16-2012 which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. The sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE.

Capital Gains Tax, if the Sale was Made Outside the PSE

The net capital gains realized from the sale, exchange, or other disposition of shares of stock outside the facilities of the PSE by an individual citizen, resident alien, or a domestic corporation (other than a dealer in securities) during each taxable year are subject to capital gains tax at the rate of 15%. For non-resident alien individuals and foreign corporations, such sale, exchange, or disposition is also taxable at the rate of 15%, except that this constitutes final withholding tax.

The transfer of shares shall not be recorded in the books of the domestic corporation, unless the BIR has issued a Certificate Authorizing Registration ("CAR"). The BIR issues a CAR only after verifying that the applicable taxes have been paid.

TAX ON DIVIDENDS

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a final withholding tax at 20% of the gross amount, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations are subject to withholding tax at the rate of 25% beginning January 1, 2021.

The 30% final withholding tax rate for inter-corporate cash and/or property dividends paid by a domestic corporation to a non-resident foreign corporation may be reduced depending on the country of domicile of the non-resident foreign corporation if it has an existing tax treaty with the Philippines. A country with a tax treaty may have a reduced preferential tax rate, generally 25% depending on the provisions of the corresponding tax treaties. On the other hand, the tax rate for a country without a tax treaty may be reduced to 15% ("tax sparing rate") if (i) the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign-sourced dividends or (ii) if the country of domicile of the non-resident foreign corporation allows a credit equivalent to 10% for taxes deemed to have been paid in the Philippines.

Stock dividends distributed pro rata to any holder of shares of stock are not subject to Philippine income tax. However, if the proportionate interests of the stockholders are changed, dividends received are taxable as ordinary income in the year paid or accrued. The sale, exchange or disposition of shares received as stock dividends by the holder is subject to either the capital gains or stock transaction tax.

Preferential Rates under Income Tax Treaties

The following table lists some of the countries with which the Philippines has income tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)[9]	Capital gains tax due on disposition of shares outside the PSE (%)
Canada	25[1]	0.6	May be exempt[13]
China	15[2]	Exempt[10]	May be exempt[13]
France	15[3]	Exempt[11]	May be exempt[13]
Germany	15[4]	Exempt[12]	May be exempt[13]
Japan	15[5]	0.6	May be exempt[13]
Singapore	25[6]	0.6	May be exempt[13]
United Kingdom	25[7]	0.6	Exempt[14]
United States	25[8]	0.6	May be exempt[13]

Notes:

(1) *15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.*

(2) *10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.*

(3) *10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.*

(4) *5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases.*

(5) *10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.*

(6) *15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.*

(7) *15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.*

(8) *20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the National Internal Revenue Code provided certain conditions are met.*

(9) *If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the National Internal Revenue Code of 1997 as amended by the Section 39 of the TRAIN Law.*

(10) *Article 2(2)(b)(ii) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.*

(11) *Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995.*

(12) Article 2(3)(a)(iv) of the Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.

(13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

To avail of the capital gains tax exemption on the sale of shares of stock under an income tax treaty, the seller shall provide the Application Form for Treaty Purposes (BIR Form No. 0901-C) and Tax Residency Certificate (TRC) to the duly issued by the foreign tax authority to the buyer prior to the payment of the income for the first time. Subsequently, the buyer shall file a request for confirmation with the BIR, together with the other documentary requirements, at any time after the payment but in no case later than the fourth month following the close of each taxable year. Alternatively, the seller may file a Tax Treaty Relief Application (TTRA), together with the other documentary requirements, at any time after receipt of the income.

The documentary requirements for the request for confirmation or TTRA as set out in Revenue Memorandum Order No. 14-2021 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits) dated March 31, 2021 include the BIR Form No. 0901-C; TRC; bank documents/certificate evidencing payment/remittance of income; supporting contract; stock certificates; the General Information Sheet; secretary's certificate on the seller's shareholdings; audited financial statements (AFS) for the taxable year immediately preceding the year of transfer; interim AFS as of the date of transfer; BIR Form No. 0605; and BIR Form No. 2000-OT. The TRC is a consularized or an apostilled certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable income tax treaty. If the seller is a juridical entity, authenticated or an apostilled certified true copy of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR.

For sale of shares made outside the PSE, a CAR from the BIR is required before the transfer is registered in the company's stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the certificate confirming entitlement to treaty benefits should be submitted to the BIR office processing the CAR.

DOCUMENTARY STAMP TAX

Beginning January 1, 2018, the original issue of shares is subject to documentary stamp tax of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The transfer of shares is subject to a documentary stamp tax of ₱1.50 for each ₱200.00, or a fractional part thereof of the par value of the shares transferred. However, the sale, barter or exchange of shares of stock listed and traded through the local stock exchange shall not be subject to documentary stamp tax.

ESTATE AND GIFT TAXES

Shares issued by a corporation organized or constituted in the Philippines in accordance with Philippine laws are deemed to have a Philippine situs and their transfer by way of succession or donation is subject to Philippine estate and donor's taxes.

The transfer by a deceased individual to his heirs of the Offer Shares by way of succession, whether such individual was a citizen of the Philippines or an alien and regardless of residence, shall be subject to an estate tax at a rate of 6% of the net estate of the deceased individual.

The transfer of the Offer Shares by way of gift or donation by an individual or corporate holder, whether or not a citizen or resident of the Philippines, shall be subject to donor's tax at a rate of 6% based on the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year.

In case the Offer Shares are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Offer Shares exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the Offer Shares, based on Section 100 of the Tax Code, provided that a transfer of property made in the ordinary course of business (a transaction which is a *bona fide*, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, in respect of the Offer Shares, shall not be collected: (1) if the decedent, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (2) if the laws of the foreign country of which the decedent or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

PHILIPPINE FOREIGN EXCHANGE AND FOREIGN OWNERSHIP CONTROLS

REGISTRATION OF FOREIGN INVESTMENTS AND EXCHANGE CONTROLS

Under current BSP regulations, an investment in Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such Shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required. BSP Circular No. 471, Series of 2005, as amended, however, subjects foreign exchange dealers, money changers and remittance agents to Republic Act No. 9160 or the Anti-Money Laundering Act of 2001, as amended, and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

The application for registration may be done directly with the BSP or through a custodian bank duly designated by the foreign investor. A custodian bank may be a universal bank, commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document ("BSRD") or BSRD Letter-Advice from the registering custodian bank and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (1) the BSRD or BSRD Letter-Advice; (2) the cash dividends notice from the PSE and the Philippine Depository and Trust Corporation (formerly the Philippine Central Depository) showing a printout of cash dividend payment or computation of interest earned; (3) the copy of the corporate secretary's sworn statement attesting to the board resolution covering the dividend declaration and (4) the detailed computation of the amount applied for in the format prescribed by the BSP. For direct foreign equity investments, the latest audited financial statements or interim financial statements of the investee firm covering the dividend declaration period need to be presented in addition to the documents enumerated above. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, through the Monetary Board and with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that BSP foreign exchange regulations will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in any Offer Shares shall be the responsibility of the foreign investor.

FOREIGN OWNERSHIP CONTROLS

The Philippine Constitution and related statutes set forth certain restrictions on foreign ownership of companies that own lands in the Philippines.

The ownership of private lands in the Philippines is reserved for Philippine Nationals and Philippine corporations at least 60% of whose capital stock is owned by Philippine Nationals. The prohibition is rooted in Sections 2, 3 and 7 of Article XII of the 1987 Philippine Constitution, which states that, save in cases of hereditary succession, no private lands shall be transferred or conveyed except to individuals, corporations or associations qualified to acquire or hold lands of the public domain. In turn, the nationality restriction on the ownership of private lands is further underscored by Commonwealth Act No. 141 which provides that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Furthermore, Republic Act No. 7042, as amended, or the Foreign Investments Act of 1991, reserves to Philippine Nationals all areas of investment in which foreign ownership is limited by mandate of the Constitution and specific laws. Section 3(a) of said law defines a "Philippine National" as:

- A citizen of the Philippines;
- A domestic partnership or association wholly owned by citizens of the Philippines;
- A trustee of funds for pension or other employee retirement or separation benefits where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals;
- A corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; and
- A corporation organized abroad and registered as doing business in the Philippines under the Revised Corporation Code of the Philippines of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos.

However, the Foreign Investments Act of 1991 states that where a corporation (and its non-Filipino shareholders) own stock in a Philippine SEC-registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of both the investing corporation and the investee corporation must be owned and held by citizens of the Philippines. Further, at least 60% of the members of the board of directors of both the investing corporation and the investee corporation must be Philippine citizens in order for the investee corporation to be considered a Philippine National.

On May 20, 2013, the Philippine SEC issued Memorandum Circular No. 8, Series of 2013 which provided the Guidelines on compliance with the Filipino-Foreign ownership requirements under the Philippine Constitution and other existing laws by corporations engaged in nationalized or partly nationalized activities. The Guidelines provide that for purposes of determining compliance with the foreign equity restrictions in Nationalized Corporations, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

The Company owns land and is engaged in property development and, as such, is subject to nationality restrictions found under the Philippine Constitution and other laws limiting such activities to Philippine Nationals. Compliance with the required ownership by Philippine Nationals of a corporation is to be determined on the basis of outstanding capital stock, whether fully paid or not.

PLAN OF DISTRIBUTION

To ensure that all the Firm Shares will be fully subscribed, China Bank Capital as the Sole Issue Manager, Lead Underwriter and Sole Bookrunner of the Offer, has committed to distribute [1,000,000,000 up to 2,500,000,000] shares, or all other unsubscribed Firm Shares not taken up by prospective investors. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner will underwrite the Firm Offer on a firm basis and purchase any and all unsubscribed portion of the Firm Shares made available to the Selling Agents as of the last day of the Offer Period.

THE LEAD UNDERWRITER

China Bank Capital is duly-licensed by the SEC to engage in the underwriting or distribution of the Offer Shares. China Bank Capital may, from time to time, engage in transactions with and perform services in the ordinary course of its business, for the Company or any of its subsidiaries.

China Bank Capital Corporation is the wholly-owned investment banking subsidiary of China Banking Corporation. It was registered and licensed as an investment house in 2015 as a result of the spin-off of China Bank's Investment Banking Group. The firm offers a full suite of investment banking solutions, which include arranging, managing, and underwriting bond offerings, corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. China Bank Capital also provides financial advisory services, such as structuring, valuation, and execution of M&A deals, joint ventures, and other corporate transactions.

China Bank Capital's parent, China Banking Corporation, is a Note Holder under the Facility Agreements. None of the directors or officers of China Bank Capital sit in the Board of Directors of the Company.

China Bank Capital will receive a fee of up to [2.50%] of the total issue size for its services as Issue Manager, inclusive of the amounts to be paid to participating underwriters and selling agents, if any, and includes the commissions and fees to be paid to the PSE Trading Participants. The underwriting fees shall be withheld by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner from the proceeds of the sale of the Offer Shares. PSE Trading Participants who take up Trading Participants Offer Shares shall be entitled to a selling fee of 1.00%, inclusive of VAT, of the Trading Participants Offer Shares taken up and purchased by the relevant PSE Trading Participant. The selling fee, less a withholding tax of 15%, will be paid by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to the PSE Trading Participants within ten (10) banking days from the Listing Date.

Underwriting Agreement

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner will underwrite the Offer of the Firm Shares on a firm basis and purchase any and all unsubscribed portion of the Firm Shares made available to the Selling Agents as of the last day of the Offer Period pursuant to the terms and conditions of the Underwriting Agreement between the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to be executed before the commencement of the Offer. The Underwriting Agreement to be entered into between the Company and the Lead Underwriter is subject to certain conditions and may be terminated if certain conditions are not fulfilled or events, including *force majeure*, occur before the Offer Shares are listed on the PSE.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner has conducted its due diligence review of the Company and has, by the exercise of reasonable care is not aware of an untrue statement of a material fact or omission of a material fact necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading.

QUALIFIED INSTITUTIONAL BUYERS

[800,000,000 up to 2,000,000,000] Firm Shares or up to [80%] of the Firm Shares shall be distributed by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to qualified institutional buyers through a book-building program for the domestic market. "Qualified Institutional Buyers" or QIBs are limited to mutual funds, pension or retirement funds, commercial or universal banks; trust companies; investment houses; insurance companies; investment companies; finance companies; venture capital firms; government financial institutions; trust departments of commercial or universal banks, non-bank quasi-banking institutions, trading participants of the PSE; non-stock savings and loan associations; educational assistance funds; and other institutions of similar nature. The institutional offer is only for Philippine QIBs.

TRADING PARTICIPANTS

The remaining [200,000,000 up to 500,000,000] Firm Shares or twenty percent [20%] of the Firm Shares shall be allocated to the general public through the PSE Trading Participants ("Trading Participants Offer Shares"). Each PSE Trading Participant shall initially be allocated [1,600,000 up to 4,000,000] Firm Shares, computed by dividing the Firm Shares allocated to the PSE Trading Participants among the [one hundred twenty-five (125)] PSE Trading Participants as of the date of this Prospectus and subject to reallocation as may be determined by the Lead Underwriter. The Company elected to not allocate to Local Small Investors and is still compliant pursuant to the PSE Rules on Additional Listing of Shares.

On or before [November 15, 2021], the PSE Trading Participants shall submit to the designated representatives of the Lead Underwriter or the Receiving Agent their respective firm orders and commitments to purchase Offer Shares. Offer Shares not taken up by the Selling Agents will be distributed by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner directly to their clients and the general public and whatever remains will be purchased by the Lead Underwriter.

All of the Trading Participants Offer Shares are or shall be lodged with the PDTC and shall be issued to the Selling Agents in scripless form. The Selling Agents may maintain the Trading Participants Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Trading Participants Offer Shares from the PDTC's electronic system once the Offer Shares are listed on the PSE.

THE OVER-SUBSCRIPTION OPTION AND UNDERTAKING TO PURCHASE

In the event of an oversubscription to the Firm Offer, the Company and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner China Bank Capital have an option, exercisable in whole or in part by mutual agreement, to offer up to an additional [500,000,000] Over-subscription Shares, during the

Offer Period, on the same terms as the Firm Shares as set forth in this Prospectus solely to cover oversubscriptions, if any.

Assuming an Offer of [1,000,000,000 up to 2,500,000,000] Offer Shares (assuming the Over-subscription Option is not exercised), the Company expects to have a public float of [27.12% up to 37.34%] out of the outstanding common shares immediately following the Offer. Assuming an Offer of [3,000,000,000] Offer Shares (assuming the Over-subscription Option is fully exercised), the Company expects to have a public float of [40.14]% out of the outstanding common shares immediately following the Offer.

SELLING RESTRICTIONS

Philippines

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the Philippine SEC on Form 12-1 and the registration statement has been declared effective by the Philippine SEC.

FINANCIAL ADVISOR

Investment & Capital Corporation of the Philippines ("ICCP") is a leading independent investment house duly licensed by the SEC to offer investment banking services and operate in the Philippines. ICCP was established in 1988. Its major shareholders include DBS Bank of Singapore, and a group of prominent Filipino business leaders in the Philippines led by Mr. Guillermo D. Luchangco, ICCP's founder. ICCP offers the full range of investment banking services and is licensed to engage in the underwriting and distribution of securities to the public.

ICCP is the Company's financial advisor for its follow-on offering and listing of its common shares in the PSE. As a financial advisor, ICCP works with both the Company and the appointed Issue Manager and Lead Underwriter for the conduct of due diligence review, and the establishment of the offer terms and conditions.

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Martinez Vergara Gonzalez & Serrano, legal counsel to the Company, and Romulo Mabanta Buenaventura Sayoc and De Los Angeles, legal counsel to the Lead Underwriter. Matters requiring the opinion of independent counsel will be passed upon by Cayetano Sebastian Ata Adao & Cruz.

Each of the foregoing legal counsel has neither shareholding in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in the Company. None of the legal counsel will receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. None of the foregoing legal counsels is a promoter, Lead Underwriter, voting trustee, director, officer or employee of the Company.

INDEPENDENT AUDITORS

SyCip Gorres Velayo & Co. ("SGV & Co.") has audited and rendered an unqualified audit report on the Company's consolidated financial statements as of and for the years ended December 31, 2020, 2019 and 2018.

SGV & Co. has acted as the Company's external auditor since 2007. Mr. Michael C. Sabado is the current audit partner for the Company and has served as such since 2017.The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. SGV & Co. has neither shareholding in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. SGV & Co. will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. SGV & Co. is not a promoter, Lead Underwriter, voting trustee, director, officer or employee of the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by SGV & Co., excluding out of pocket expenses incidental to such service and excluding fees directly related to the Offer: (Vat inclusive)

	2019	2020
Audit and Audit-Related Fees[1]	₱2,420,000	₱2,541,000
All Other Fees	-	-
Total	2,420,000	2,541,000

Notes:

(1) Audit and Audit-Related Fees. This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years.

In relation to the audit of the Company's annual financial statements, the Company's Manual on Corporate Governance, which was approved by the Board of Directors on April 27, 2017, provides that the audit committee shall, among other activities (i) ensure that the internal and external auditors act independently of each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions; and (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors.

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COVER SHEET

3 1 0 5 0

SEC Registration Number

STA. LUCIA LAND, INC. AND SUBSIDIARIES

(Company's Full Name)

PENTHOUSE BLDG. 3, STA. LUCIA EAST GRAND MALL MARCOS HIGHWAY COR. FELIX AVE., CAINTA, RIZAL

(Business Address: No. Street City/Town/Province)

DAVID M. DELA CRUZ

(Contact Person)

681-7332

(Company Telephone Number)

1 2	3 1
Month	*Day*

(Fiscal Year)

1 7 - Q

(Form Type)

0 6	2 5
Month	*Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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STA. LUCIA LAND, INC. AND SUBSIDIARIES

(Company's Full Name)

Penthouse Building 3, Sta. Lucia East Grand Mall,
Marcos Highway Cor. Imelda Ave., Cainta Rizal

(Company Address)

(632) 8681-7332

(Telephone Number)

June 30, 2021

(Quarter Ended)

Amended 2nd Quarter Report – SEC Form 17-Q

(Form Type)

(Amendments)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2021**

2. Commission identification number: **31050**

3. BIR Tax Identification No.: **000-152-291-000**

4. **STA. LUCIA LAND, INC. AND SUBSIDIARIES**
   Exact name of the issuer as specified in its charter

5. **Republic of the Philippines**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: ______ (SEC UseOnly)

7. **Penthouse, Bldg. III, Sta. Lucia East Grand Mall, Marcos Highway cor. Imelda Ave., Cainta, Rizal 1900**
   Address of issuer's principal office — Postal Code

8. **(02) 8681-7332**
   Issuer's telephone number,including area code

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

Title of each class	Number of shares of common Stock outstanding
Common	**8, 196,450,000**

11. Are any or all of the securities listed on a Stock Exchange?
    Yes [x] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    ____________ ____________

12. Indicate by checkmark whether the registrant:

    a. has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 the registrant was required to file such reports)
    Yes [x] No [ ]

    b. has been subject to such filing requirements for the past ninety (90) days.
    Yes [x] No [ ]

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PART I - FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

STA. LUCIA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2021 and December 31, 2020

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	**₱6,202,509,353**	₱942,820,503
Receivables	**3,507,502,016**	3,494,595,518
Contract assets	**1,094,639,164**	1,880,380,969
Real estate inventories	**26,735,655,656**	24,931,122,564
Other current assets	**6,374,887,193**	5,400,988,661
Total Current Assets	**43,915,193,382**	36,649,908,215
Noncurrent Assets		
Installment contracts receivables - net of current portion	**1,958,272,574**	1,014,073,112
Contract assets - net of current portion	**1,812,341,737**	967,495,032
Investment properties	**5,830,972,974**	5,712,412,564
Property and equipment	**54,410,269**	54,853,789
Financial assets at fair value through other comprehensive income (FVOCI)	**710,449,947**	821,448,225
Pension asset	**328,530**	328,530
Other noncurrent assets	**77,171,296**	565,280,118
Total Noncurrent Assets	**10,443,947,327**	9,135,891,370
	₱54,359,140,709	₱45,785,799,585
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	**₱6,350,357,140**	₱5,407,788,319
Short-term debt	**1,766,732,354**	6,148,970,554
Contract liabilities – current portion	**3,600,296,180**	3,591,662,052
Income tax payable	**21,745,920**	87,348,124
Long-term debt - current portion	**2,720,338,359**	3,027,518,421
Total Current Liabilities	**14,459,469,953**	18,263,287,470
Noncurrent Liabilities		
Long-term debt – net of current portion	**18,629,431,462**	8,002,309,255
Contract liabilities - net of current portion	**616,975,052**	379,516,810
Pension liabilities	–	–
Deferred tax liabilities - net	**1,627,596,087**	1,442,870,704
Total Noncurrent Liabilities	**20,874,002,601**	9,824,696,769
Total Liabilities	**35,333,472,554**	28,087,984,239
Equity		
Capital stock	**10,796,450,000**	10,796,450,000
Additional paid-in capital	**330,004,284**	330,004,284
Retained earnings	**9,285,357,218**	7,846,506,131
Treasury shares	**(1,640,000,000)**	(1,640,000,000)
Net unrealized gain on fair value of financial assets at FVOCI	**253,694,199**	364,692,477
Remeasurement losses on pension liabilities	**162,454**	162,454
Total Equity	**19,025,668,155**	17,697,815,346
	₱54,359,140,709	₱45,785,799,585

STA. LUCIA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the six-month period ended June 30, 2021 and June 30, 2020 and December 31, 2020

	June 30, 2021	June 30, 2020	December 31, 2020
REVENUE			
Real estate sales	**₱3,261,258,163**	₱1,994,626,643	₱5,383,079,540
Rental income	**273,445,478**	225,161,600	534,700,679
Interest income	**188,665,439**	84,739,834	479,793,372
Commission income	**36,414,190**	3,169,674	91,526,979
Dividend income	–	–	9,202,279
Others	**205,251,104**	120,836,703	354,844,435
	3,965,034,374	2,428,534,454	6,853,147,284
COSTS OF SALES AND SERVICES			
Cost of real estate sales	**1,002,831,226**	344,901,154	2,025,251,641
Cost of rental income	**193,307,073**	172,771,358	368,364,448
	1,196,138,299	517,672,512	2,393,616,089
SELLING AND ADMINISTRATIVE EXPENSES			
Commissions	**356,602,683**	186,908,247	622,045,846
Representation	**20,439,218**	25,329,519	48,995,547
Taxes, licenses and fees	**94,503,805**	38,179,313	99,410,726
Salaries and wages and other benefits	**33,010,092**	25,143,154	85,024,174
Advertising	**21,180,529**	25,078,114	68,721,678
Repairs and maintenance	**15,899,219**	3,527,814	41,053,548
Utilities	**4,621,881**	2,220,202	6,925,050
Professional fees	**17,624,952**	16,350,439	16,403,046
Depreciation and amortization	**8,134,476**	8,358,956	21,661,127
Expected credit loss	**5,311,534**	–	1,350,074
Transportation, travel, office supplies and miscellaneous	**40,471,216**	18,761,649	55,617,204
	617,799,605	349,857,407	1,067,208,020
INTEREST EXPENSE	**481,782,112**	478,813,799	993,299,139
INCOME BEFORE INCOME TAX	**1,669,314,358**	1,082,190,736	2,399,024,036
PROVISION FOR INCOME TAX	**230,463,271**	324,656,629	691,077,749
NET INCOME	**1,438,851,087**	757,534,107	1,707,946,287
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Unrealized gains on fair value of financial assets at FVOCI	110,998,278	(83,266,779)	(126,727,310)
Remeasurement gains (losses) on pension liabilities - net of tax	–	–	2,601,260
	110,998,278	(83,266,779)	(124,126,050)
TOTAL COMPREHENSIVE INCOME	**₱1,549,849,365**	₱674,267,328	₱1,583,820,237
Basic/Diluted Earnings Per Share	**₱0.18**	₱0.09	₱0.21

STA. LUCIA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the quarter ending June 30, 2021 and June 30, 2020

	April-June 2021(Unaudited)	April-June 2020(Unaudited)
REVENUE		
Real estate sales	**₱1,355,086,544**	₱ 807,325,329
Rental income	**120,256,681**	48,147,785
Commission income	**76,235,993**	205,958
Interest income	**3,883,955**	39,121,708
Dividend income	**–**	–
Others	**108,571,004**	43,170,011
	1,664,034,177	937,970,791
COSTS OF SALES AND SERVICES		
Cost of real estate sales	**250,021,627**	152,894,104
Cost of rental income	**115,156,185**	60,048,644
	365,177,812	212,942,748
SELLING AND ADMINISTRATIVE EXPENSES		
Commissions	**162,275,313**	40,285,781
Representation	**11,491,179**	3,656,701
Taxes, licenses and fees	**36,100,641**	20,528,216
Salaries and wages and other benefits	**15,418,163**	14,123,593
Advertising	**10,661,238**	10,337,388
Repairs and maintenance	**2,996,724**	1,472,486
Utilities	**2,039,629**	1,384,416
Professional fees	**15,830,580**	5,497,723
Depreciation and amortization	**3,218,115**	3,989,035
Expected credit loss	–	–
Transportation, travel, office supplies and miscellaneous	**14,231,746**	4,826,738
	274,263,328	106,102,077
INTEREST EXPENSE	**224,471,940**	248,664,993
INCOME BEFORE INCOME TAX	**800,121,097**	370,260,973
PROVISION FOR INCOME TAX	**285,136,279**	111,077,555
NET INCOME	**514,984,818**	259,183,418
OTHER COMPREHENSIVE INCOME		
Other comprehensive incometo be reclassified to profit or loss in subsequent periods		
Unrealized gains on fair value of available-for-sale financial assets	**208,736,050**	(53,237,392)
Unrealized gains on fair value of financial assets at FVOCI	–	–
Remeasurement gains (losses) on pension liabilities - net of tax	**(60,004)**	–
	208,676,046	(53,237,392)
TOTAL COMPREHENSIVE INCOME	**723,660,864**	₱205,946,026

STA. LUCIA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2021 and June 30, 2020

	June 30, 2021	June 30, 2020
CAPITAL STOCK		
Common shares - ₱1 par value		
Authorized - 16,000,000,000 shares		
Issued and outstanding – 10,796,450,000 shares	**₱10,796,450,000**	₱10,796,450,000
	10,796,450,000	10,796,450,000
ADDITIONAL PAID-IN CAPITAL	**330,004,284**	330,004,284
TREASURY SHARES	**(1,640,000,000)**	(1640,000,000)
RETAINED EARNINGS		
Balance at beginning of year	**7,846,506,131**	6,138,559,844
Net income	**1,438,851,087**	757,534,107
Balance at end of period	**9,285,357,218**	6,896,093,951
UNREALIZED GAIN ON FAIR VALUE OF AVAILABLE FOR SALE FINANCIAL ASSETS	**253,694,199**	408,153,007
REMEASUREMENT GAIN (LOSS) ON PENSION LIABILITIES- NET OF TAX	**162,454**	(2,438,806)
	₱19,025,668,155	₱16,788,262,436

STA. LUCIA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2021 and June 30, 2020

	June 30, 2021	June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,669,314,358**	₱1,082,190,736
Adjustments for:		
Depreciation and amortization expense	**76,484,256**	105,139,893
Interest expense	**481,782,112**	533,319,347
Dividend income	–	(5,662,941)
Interest income	**(188,665,439)**	(84,739,834)
Operating income before changes in working capital	**2,038,915,287**	1,630,247,201
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**866,434,899**	996,592,765
Real estate inventories	**(3,384,044,697)**	(1,086,356,848)
Due from related parties	–	(56,836,526)
Other current assets	**(973,898,532)**	(1,699,011,953)
Increase (decrease) in:		
Accounts and other payables	**942,568,821**	(905,404,957)
Customers' deposits	**246,092,370**	1,104,970,957
Net cash generated from (used in) operations	**(2,302,847,139)**	(1,646,046,562)
Interest received	**206,102,025**	84,739,834
Income taxes paid	**(111,340,092)**	(96,155,924)
Net cash provided by (used in) operating activities	**(169,169,919)**	(27,215,451)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposals of (additions to):		
Property and equipment	**(7,798,308)**	(2,249,121)
Investment properties	**(186,910,192)**	(164,315,625)
Other noncurrent assets	**(999,757)**	(249,881,437)
Net cash used in investing activities	**(195,708,257)**	(414,197,062)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	**11,652,966,949**	2,779,888,200
Payment of loans	**(6,553,250,000)**	(2,053,000,000)
Payment of interest	**524,850,077**	–
Net cash provided by financing activities	**5,624,567,026**	726,888,200
NET INCREASE (DECREASE) IN CASH	**5,259,688,850**	285,475,687
CASH AT BEGINNING OF YEAR	**942,820,503**	903,368,151
CASH AT END OF PERIOD	**₱6,202,509,353**	₱1,188,843,838

STA. LUCIA LAND, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Sta. Lucia Land, Inc. (SLI or the Parent Company) is a publicly-listed company incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 6, 1966 under the name Zipporah Mining and Industrial Corporation. On August 14, 1996, the Parent Company's Articles of Incorporation was amended. Under the amendment, it changed the corporate name to Zipporah Realty Holdings, Inc. and it transferred the original primary purpose to secondary purpose from being a mining firm to a real estate company with the amended primary purpose to acquire by purchase, lease, and to own and develop and hold for investment and/or disposal, real estate of all kinds together with their appurtenances.

On July 16, 2007, the Parent Company changed its corporate name from Zipporah Realty Holdings, Inc. to Sta. Lucia Land, Inc.

Prior to expiration of its corporate life, the Parent Company filed for a new 50-year corporate life which was approved by the SEC on June 16, 2016. The corporate life of the Parent Company expired on December 5, 2016. The approved new 50-year corporate life is until December 5, 2066.

The registered office address and principal place of business of the Parent Company and its subsidiaries (collectively referred to as the Group) is at Penthouse Bldg. 3, Sta. Lucia Mall, Marcos Highway cor. Imelda Avenue, Cainta, Rizal.

The Group is 81.75% owned by Sta. Lucia Realty and Development Inc. (SLRDI or the Ultimate Parent Company).

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The accompanying interim consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency and all values are rounded to the nearest Philippine peso except when otherwise indicated.

The interim consolidated financial statements provide comparative information in respect of the previous period. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID 19 situation will remain and recovery is going to be gradual.

<u>Statement of Compliance</u>
The interim condensed consolidated financial statements of the Group for the three months ended June 30, 2021 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting.*

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2020, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), and include the availment of the relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular Nos. 14-2018 and 3-2019. PFRSs include PAS and Interpretations issued by Philippine Interpretations Committee (PIC).

The interim condensed consolidated financial statements of the Group have been prepared for inclusion in the offering circular in relation to a planned capital-raising activity.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries.

A subsidiary is an entity which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or 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 Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expense 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. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements include the financial statements of the Parent Company and the following wholly-owned subsidiaries. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	% of Ownership
Sta. Lucia Homes, Inc. (SLHI)	100.00%
Santalucia Ventures, Inc. (SVI)	100.00%

Adoption of New and Amended Accounting Standards and Interpretation

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and PAS which became effective beginning January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature and impact of each new standard and amendment are disclosed below.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

  These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  These amendments do not have a significant impact on 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 provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

  These amendments do not have a significant impact on the Group.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before
    June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

This amendment is not applicable to the Group as there are no rent concessions granted to the Group as a lessee.

- *Adoption of PIC Q&A 2020-03, Q&A No. 2018-12-D: STEP 3- On the accounting of the difference when the percentage of completion is ahead of the buyer's payment*

  PIC Q&A 2020-03 was issued by the PIC on September 30, 2020. The latter aims to provide an additional option to the preparers of financial statements to present as receivables, the difference between the POC and the buyer's payment, with the POC being ahead. This PIC Q&A is consistent with the PIC guidance issued to the real estate industry in September 2019.

  The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since it has previously adopted the additional guidance issued by the PIC in September 2019.

Future Changes in Accounting Policy

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and applied retrospectively. However, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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, 2023, with comparative figures required. Early application is permitted.

The new standard is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is currently assessing the impact of adopting these amendments.

- *Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC MC Nos. 14-2018 and 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

  A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

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 on the financial statements had the concerned application guidelines 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.

   In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

   - PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
   - PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied using full retrospective approach or modified retrospective approach. The Group elected to adopt the PIC Q&A using the modified retrospective approach. Under this approach, the cumulative effect of initially applying the PIC Q&A is recognized at the date of the initial application as an adjustment to the opening balance of retained earnings therefore the comparative information will not be restated. The Group has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell.

b. Had the Group accounted for the revenue from air-conditioning services, CUSA and handling services as principal, this would have resulted in the gross presentation of the related revenue, costs and expenses. Currently, the related revenue is presented net of costs and expenses. There is no impact on opening retained earnings, income and expense and the related balance sheet accounts.

The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)*

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 paragraph 35(c) of PFRS 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 PAS 23, *Borrowing Costs*, considering that these inventories are ready for their intended 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 MC No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, 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 in restatement of prior year financial statements. A restatement would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and the opening balance of retained earnings. The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

As prescribed by SEC MC No. 34-2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferrals will impact the Group's financial reporting during the period of deferral as follows:

a. The financial statements are not considered to be in accordance with PFRS and should specify in the "Basis of Preparation of the Financial Statements" section of the financial statements that the accounting framework is:

PFRS, as modified by the application of the following financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic:

1) Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04)
2) Application of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods under PAS 23

b. The Auditor's report will:

i. reflect in the Opinion paragraph that the financial statements are prepared in accordance with the compliance framework described in the notes to the financial statements; and
ii. include an Emphasis of Matter paragraph to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

Upon full adoption of the above deferred guidance, the accounting policies will have to be applied using full retrospective approach following the guidance under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

- *Deferral of PIC Q&A 2018-14, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The Group availed of the SEC relief to defer of adoption of this PIC Q&A until December 31, 2020. Currently, the Group records the repossessed inventory at its fair value less cost to sell and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss. The Group has opted to implement approach 1 in its accounting for sales cancellation which is the repossessed property is recognized at its fair value less cost to repossess.

Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in interim consolidated statement of financial position based on current and 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 twelve (12) months after the reporting period; or
- cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (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 twelve (12) months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred 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 (3) months or less from dates of placement and that are subject to insignificant risk of changes in value.

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 nonfinancial 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.

For purposes of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy.

<u>Financial Instruments</u>
Date of recognition
The Group recognizes financial assets and liabilities in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

<u>Recognition and Measurement of Financial Instruments</u>
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 of financial instruments
Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at fair value through profit or loss (FVTPL).

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (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.

As of June 30, 2021 and December 31, 2020, the Group's financial assets comprise of financial assets at amortized cost and financial assets at FVOCI.

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

- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument 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 costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the consolidated statement of comprehensive income.

The Group classified cash and cash equivalents, installment contracts receivables and other receivables, advances to agents and brokers under "Other current assets", and deposits in escrow and refundable security deposits under "Other noncurrent assets" as financial assets at amortized cost (see Notes 5, 6 and 8).

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive 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.

The Group does not have debt instruments at fair value through OCI.

Financial assets at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI 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 comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets at fair value through OCI includes investments in quoted and unquoted equity instruments (see Note 9).

Dividends earned on holding these equity instruments are recognized in the consolidated statement of comprehensive income when the Group's right to receive the dividends is established in accordance with PFRS 15, unless the dividends clearly represent recovery of a part of the cost of the investment.

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 comprehensive income.

As of June 30, 2021 and December 31, 2020, the Group does not have financial assets at FVTPL.

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 recognizes 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.

Reclassification of financial assets
The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted. A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

<u>Modification of financial assets</u>
The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of comprehensive income.

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.

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

For other financial assets such as accrued receivable, receivable from related parties and advances to other companies, 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, 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 lifetime ECL. The Group uses the ratings from the Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 120 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.

Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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.

Directly attributable transaction costs are documentary stamp tax, underwriting and selling fees, regulatory filing fee and other fees.

As of December 31, 2020 and 2019, the Group's other financial liabilities consist of accounts and other payables (excluding statutory liabilities), short-term debt and long-term debt.

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 entered into by the Group 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 comprehensive income.

Only if the criteria in PFRS 9 are satisfied, the designation of financial liabilities at fair value through profit or loss at the initial date of recognition is allowed. The Group has not designated any financial liability as at fair value through profit or loss.

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

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

This category generally applies to the Group's accounts and other payables (excluding statutory liabilities), short-term debt and long-term debt.

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 comprehensive income.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount 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. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the consolidated statement of financial position.

<u>Real Estate Inventories</u>
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation or will be occupied by the Group, is held as inventory and is measured at the lower of cost and net realizable value (NRV). In few cases of buyer defaults, the Group can repossess the properties and held it for sale in the ordinary course of business at the prevailing market price. The repossessed properties are included in the "Real Estate Inventories" account in the consolidated statement of financial position. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts unless these exceed the recoverable values.

Cost includes the purchase price of land and those costs incurred for the development and improvement of the properties such as amounts paid to contractors for construction, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, 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 of completion and the estimated costs of sale.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, and insurance.

With the exception of commission, which is amortized using percentage of completion, other prepaid expenses are amortized as incurred.

Refundable Deposits
Refundable deposits are measured initially at fair value. After initial recognition, refundable deposits are subsequently measured at amortized cost using the effective interest method.

The difference between the cash received and its fair value is deferred and amortized using the straight-line method under the "Real estate sales" account in the consolidated statement of comprehensive income.

Non-refundable deposits that are applicable against costs of services incurred or goods delivered are measured at fair value.

Other Current Assets
Other current assets are carried at cost and pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. These include advances to contractors and lot owners which are carried at costs less impairment losses, if any.

Investment Properties
Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and that are not occupied by the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction in progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time that the relevant assets are available for their intended use.

Depreciation of investment properties is computed using the straight-line method over the estimated useful lives of the assets and included under "Costs of Rental Income" in the consolidated statement of comprehensive income. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties follow:

	Years
Land improvements	40
Buildings and improvements	40
Machinery and equipment	5 to 10

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

Transfers are made to investment properties 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 property 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.

The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group engages independent valuation specialist to assess the fair values as at December 31, 2020. The Group's investment properties consist of land and building pertaining to properties, mall and office properties. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the assets are put into operational use and is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Office tools and equipment	3 to 5
Transportation equipment	5
Furniture and fixtures	3 to 5
Software	3 to 5

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

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation and amortization is charged against current operations.

Interests in Joint Development Projects

Interests in joint development projects represent one or more assets, usually in the form of real estate development, contributed to, or acquired for the purpose of the joint development and dedicated to the purposes of the joint operations. The assets are used to obtain benefits for the operators. Each operator may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint operations do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the operators themselves. Each operator has control over its share of future economic benefits through its share of the jointly operations. Contribution of the Group to the joint operations are included in real estate inventories.

Impairment of Nonfinancial Assets

This accounting policy relates to the other assets, inventories, interests in joint development projects, investment properties and property and equipment.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. 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 comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge 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.

Customers' Deposits
Customers' deposits represent payment received from customer accounts which have not yet reached the minimum required percentage for recording real estate sale transaction. When the level of required payment is reached, sales are recognized, and these deposits and down payments will be applied against the related receivable.

Under the percentage of completion method of recognizing sales for real estate, when a real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, cash received from customers are recorded under "Customers' Deposits" account in the consolidated statement of financial position. It is also recognized when the cash received from customers is greater than the receivable from customers under percentage of completion. Subsequently, customers' deposits are applied against receivable from customers as a result of the recognition of sales through completion of the project.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if 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 the taxation authority is included as part of "Other current assets" in the consolidated statement of financial position.

Pension
The Group has a funded, noncontributory defined benefit pension plan covering substantially all of its qualified employees. The Group's pension 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 (PUC) method.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and

(c) remeasurements 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 profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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 high quality corporate 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 profit or loss.

Remeasurements 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 OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. 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).

The 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.

Equity

The Group records capital stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds and charged to “Additional Paid-in Capital” (APIC) account. If APIC is not sufficient, the excess is charged against retained earnings.

Retained earnings represent accumulated earnings of the Group less dividends declared. The individual accumulated retained earnings of the subsidiaries are available for dividend declaration when they are declared by the subsidiaries as approved by their respective BOD.

Treasury Shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in the profit and loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Revenue from Contract with Customers

The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. 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 the principal in its revenue arrangements, except for the provisioning of water and electricity in its mall retail spaces and 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.

Real estate sales

The Group derives its real estate revenue from sale of lots, house and lot 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.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's project development engineers and project managers. This is based on the quarterly project accomplishment report prepared by the Group's project development engineers as approved by the project managers which integrates the surveys of performance as of quarter end of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contracts receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

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

In case of sales cancellation due to the default of the buyers, the Group derecognizes the outstanding balance of contract asset or installment contracts receivable and recognize the repossessed property at fair value less cost to repossess, with any difference taken to profit or loss.

Cost of real estate sales

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as 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.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which changes are determined.

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.

Marketing fees, management fees from administration and property management are recognized as expense when services are incurred.

Costs to obtain contract (Commission expense)
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 "Selling and administrative expense" account in the consolidated statement of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

<u>Contract Balances</u>
Installment contracts receivables
Installment contracts receivables represent 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. Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Contract fulfillment assets
Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable. The Group's contract fulfillment assets pertain to land acquisition costs.

Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization of contract fulfillment assets and cost to obtain a contract is included within "Cost of real estate sales" and "Selling and administrative expense", respectively.

A contract fulfillment asset or 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.

At each reporting date, the Group determines whether there is an indication that the contract fulfillment asset or capitalized cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Other Revenue and Income Recognition

Rental income
Rental income arising from operating leases on investment properties is recognized in the consolidated statement of comprehensive income as follows:

- Based on certain percentage of net income of operator after adjustments on shared expenses, as provided in the terms of the contract.
- Based on a straight-line basis over the term of the lease plus a certain percentage of sales of the tenants, as provided under the terms of the contract.

Interest income
Interest income is recognized as it accrues using the effective interest method.

Commission income
Commission income is recognized when services are rendered.

Dividend income
Dividend income is recognized when the Group's right to receive the payment is established.

Others
Other income is derived from processing the registration of properties of buyers, collection from surcharges and penalties for late payments which are recognized when services are rendered.

Other income also includes profit share in hotel operations which is derived from the Group's share in service income, net of operating expenses, from units in a specific property development which is being operated as a hotel by a third party. Income is recognized when earned.

Costs and Expenses
Costs and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of comprehensive income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Cost of real estate sales
Cost of real estate sales includes all direct materials, labor costs and incidental costs related to the construction of housing units.

Cost of rental income
Cost of rental income is mostly coming from depreciation, utilities and management fees. These are recognized as cost when incurred, except for depreciation which is recognized on a straight-line basis.

Cost of hotel operations
Cost of hotel operations pertains to expenses incurred in relation to sale of goods and rendering of services. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Selling and administrative expenses
Selling and administrative expenses are expenses that are incurred in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, property and equipment and investment properties. Selling and administrative expenses are costs incurred to sell real estate inventories, which include commissions, advertising and promotions, among others and costs of administering the business.

Expenses are recognized in the consolidated statement of comprehensive income as incurred based on the amounts paid or payable.

Borrowing Costs
Interest and other financing costs incurred during the construction period on borrowings used to finance the acquisition and construction of a qualifying asset are capitalized as to the appropriate asset accounts (included in "Investment Properties" account in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

Leases effective January 1, 2019
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee - Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of office space (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). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted on a straight-line basis over the lease term and is included in revenue in the consolidated statement of comprehensive income due to its operating nature. 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 lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease modification
Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term. In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease and the remaining lease payments will be recognized as income on a straight-line basis over the remaining lease term.

In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

Leases prior to January 1, 2019
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the 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).

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

Income Taxes
Current tax
Current 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 have been enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating losses carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carry forward benefits of unused tax credits from excess MCIT over RCIT credits and unexpired NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and 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 reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are credited to or charged against income for the period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Basic and Diluted Earnings Per Share

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount. As of December 31, 2020 and 2019, the Group has no potential diluted common shares.

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 22 to the consolidated financial statements.

Provisions

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. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events After the Reporting Date
Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group's financial position at the reporting date (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.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying interim consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Revenue recognition
Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and the stage of completion of the project. In determining whether the sales price are collectible, the Group considers that initial and continuing investment of 20% of the net contract price for real estate development and sale would demonstrate the buyer's commitment to pay. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before allowing revenue recognition.

Distinction between real estate inventories and investment properties
The Group determines whether a property is classified as investment property or real estate inventories as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) 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.

- Real estate inventories comprises property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

The Group's operating lease contracts are accounted for as cancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including the economic consequence to the lessee.

Recognizing deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profit to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

Determination of significant influence on an investee company
If an investor holds, directly or indirectly, less than 20% of the voting power of the investee company, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

Since the Group only has 12.50% ownership interest in Uni-Asia, the Group determined that it does not have control or significant influence.

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition on real estate

The Group applies the percentage of completion (POC) method in determining real estate revenue and cost. The POC is based on the physical proportion of work and the cost of sales is determined based on the estimated project development costs applied with the respective project's POC.

Estimating allowance for impairment losses on receivables
The Group maintains allowance for impairment losses at a level based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (e.g., industry, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. The assessment also considers that title of the property passes on to the buyer only when the receivable is fully collected.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

Evaluation of net realizable value of inventories
Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the real estate inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged, slow or non-moving or if their selling prices have declined in comparison to the cost.

Evaluation of impairment of other non-financial assets (except inventories)
The Group reviews other current assets, investment properties and property and equipment for impairment in value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's net selling price, except for assets where value in use computation is applied.

The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the asset. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Estimating pension costs
The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds in the respective currencies with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Assumed discount rate is used in the measurement of the present value obligation, service and interest cost components of the pension expense. The mortality rate represents the proportion of current plan members who might demise prior to retirement..

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

4. Aging of Receivables

As of June 30, 2021 (Unaudited)

	Neither Past Due nor Impaired	**Past Due but not Impaired**						**Impaired**	**Total**
		1-30 days	**31-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**		
Trade	**₱7,224,606,150**	**₱129,024,628**	**₱85,914,602**	**₱102,496,557**	**₱98,687,673**	**₱79,750,267**	**₱495,873,727**	**₱23,564,248**	**₱7,744,044,125**
Nontrade	**628,711,364**	**–**	**–**	**–**	**–**	**–**	**-**	**-**	**₱628,711,364**
Total	**₱7,853,317,514**	**₱129,024,628**	**₱85,914,602**	**₱102,496,557**	**₱98,687,673**	**₱79,750,267**	**₱495,873,727**	**₱23,564,248**	**₱8,372,755,489**

As of June 30, 2020 (Unaudited)

	Neither Past Due nor Impaired	Past Due but not Impaired						Impaired	Total
		1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total		
Trade	₱4,969,470,711	₱ 170,349,448	₱ 155,794,485	₱ 109,728,532	₱65,201,583	₱87,782,991	₱588,857,039	₱16,902,640	₱5,575,230,390
Nontrade	243,649,854	–	–	–	–	–	–	–	243,649,854
Total	₱5,213,120,565	₱170,349,448	₱155,794,485	₱109,728,532	₱65,201,583	₱87,782,991	₱588,857,039	₱16,902,640	₱5,818,880,244

5. Short and Long-term Debt

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Loans under term facility agreement	₱15,666,000,000	₱9,071,000,000
Loans under revolving credit facility agreement	2,951,892,110	4,311,482,354
Loans under notes facility agreement	360,000,000	360,000,000
Single payment loan	4,249,878,444	1,477,488,200
Bonds	−	2,000,000,000
	₱23,227,770,554	₱17,219,970,554
Less: Unamortized Debt Issuance Cost	(111,268,379)	(41,172,324)
Total debts	₱23,116,502,175	₱17,178,798,230
Less: Short term	(4,487,070,713)	(9,176,488,975)
Long term Debt	₱18,629,431,462	₱8,002,309,255

In 2021, the Group have a total availments of P11,652.97 million consisting of various unsecured short-term loans amounting to P4,652.97 million from various banks, financial institutions and qualified institutional buyers of securities and an unsecured Corporate Notes Facility Agreement amounting to P7,000.00 million. The unsecured short-term loans have maturity periods ranging from 2 to 12 months, with annual interest rates ranging from 3.75% to 5.79%. With regard the unsecured Corporate Notes Facility, the Group issued P1,800.00 million Tranche A Notes due in 2024 and P2,300.00 million Tranche B Notes Facility due 2026 during its first drawdown on March 18, 2021, and P1,900.00 million Tranche A Notes due in 2024 and P1,000.00 million Tranche B Notes due 2026 on June 25, 2021, with annual interest ranging from 4.34% to 6.04%. These were outstanding as of June 30, 2021.

The Unsecured Fixed-Rated Peso bond issued on December 22, 2015 was paid at par (or 100% of face value), plus any outstanding interest on maturity date of March 22, 2021.

The net proceeds were used to refinance maturing and existing debt, capital expenditures and for general corporate purposes.

6. Segment Information

The following tables regarding business segments present assets and liabilities as of June 30, 2021 and June 30, 2020 and revenue and income information for each of the two periods ended June 30, 2021 and June 30, 2020.

As of June 30, 2021 (Unaudited)	**Leasing**	**Residential Development**	**Total**
Rental income	**273,445,478**	**-**	**273,445,478**
Cost of rental income	**(193,307,073)**	**-**	**(193,307,073)**
Real estate sales	**-**	**3,261,258,163**	**3,261,258,163**
Cost of real estate sales	**-**	**(1,002,831,226)**	**(1,002,831,226)**
Segment gross profit	**80,138,405**	**2,258,426,937**	**2,338,565,342**
Selling and administrative expense	**(24,220,612)**	**(553,107,777)**	**(577,328,389)**
Interest income	**22,013**	**188,643,426**	**188,665,439**
Interest expense	**-**	**(481,782,112)**	**(481,782,112)**
Commission income	**-**	**36,414,190**	**36,414,190**
Dividend income	**-**	**-**	**-**
Other income	**-**	**205,251,104**	**205,251,104**
Other expense	**(414,219)**	**(40,056,997)**	**(40,471,216)**
Provision for income tax	**(13,881,397)**	**(216,581,874)**	**(230,463,271)**
Net income	**41,644,190**	**1,397,206,897**	**1,438,851,087**

Total segment assets	**6,111,635,498**	**48,247,505,211**	**54,359,140,709**
Segment liabilities	**427,201,187**	**33,256,929,360**	**33,684,130,547**
Income tax payable	**-**	**21,745,920**	**21,745,920**
Deferred tax liabilities	**-**	**1,627,596,087**	**1,627,596,087**
Total liabilities	**427,201,187**	**34,906,271,367**	**35,333,472,554**

As of June 30, 2020 (Unaudited)

	Leasing	Residential Development	Total
Rental income	₱225,161,600	₱–	₱225,161,600
Cost of rental income	(172,771,358)	–	(172,771,358)
Real estate sales	–	1,994,626,643	1,994,626,643
Cost of real estate sales	–	(344,901,154)	(344,901,154)
Segment profit	52,390,242	1,649,725,489	1,702,115,731
General and administrative expense	(27,747,207)	(303,348,551)	(331,095,758)
Commission income	–	3,169,674	3,169,674
Interest income	20,669	84,719,165	84,739,834
Interest expense	–	(478,813,799)	(478,813,799)
Other income	–	120,836,703	120,836,703
Other expense	(164,828)	(18,596,821)	(18,761,649)
Provision for income tax	(7,349,663)	(317,306,966)	(324,656,629)
Net income	₱17,149,213	₱740,384,894	₱757,534,107
Segment assets	₱5,920,503,747	₱37,203,999,186	₱43,124,502,933
Segment liabilities	₱443,379,082	₱24,643,273,043	₱25,086,652,125
Income tax payable	–	19,277,406	19,277,406
Deferred tax liability	–	1,230,310,966	1,230,310,966
Total liabilities	₱443,379,082	₱25,892,861,415	₱26,336,240,497

Disaggregated Revenue Information

The Group derives revenue from the transfer of goods and services over time and at a point in time, respectively, in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

	June 30, 2021 (Unaudited)	June 30 ,2020 (Unaudited)
Real estate sales by product		
Lots only	**₱2,890,143,633**	₱1,889,648,428
Condominium units	**371,114,530**	104,978,215
Total revenue from contracts with customers	**₱3,261,258,163**	₱1,994,626,643
Geographical Location		
Luzon	**₱2,860,840,808**	₱1,423,922,202
Visayas	**191,577,457**	493,334,889
Mindanao	**208,839,898**	77,369,551
	₱3,261,258,163	₱1,994,626,642

The Group's real estate sales are revenue from contracts with customers which are recognized over time.

7. Financial Instruments

Fair Value Information

The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

Cash, receivables accounts and other payables

Carrying amounts approximate fair values due to the relatively short-term maturities of thesefinancial instruments.

Short term debt

Carrying amounts approximate the fair values because they carry interest rates which are the prevailing market rates for similar instruments.

Long term debt

The fair values of bonds payable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity. The discount rate used in 2021 and 2020 ranges from 5.29% to 7.52% in 2021 and 6.14% to 7.52%, respectively. The carrying value and fair value of the bonds payable amounted to nil million as of June 30, 2021 and ₱11,029.83 million and ₱11,071.00 million, respectively as of December 31, 2020.

Noncurrent installment contracts receivables

The fair values of real estate receivable are calculated by discounting expected future cash flows atapplicable rates for similar instruments using the remaining terms of maturity. The discount rate used in 2021 and 2020 ranges from 3.00% to 5.79% and 5.08% to 7.54% respectively. The carrying value and fair value of the receivables amounted to ₱3,084.68 million and ₱3,147.35 million, respectively as of June 30, 2021 and ₱2,562.12 million and ₱2,612.15 million, respectively as of December 31, 2020.

Financial assets at FVOCI quoted equity securities

On June 30, 2021 and December 31, 2020, the fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities

On June 30, 2021 and December 31, 2020, the fair values are based on the adjusted net asset value.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financialinstruments by valuation technique:

Level 1:	quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2:	other techniques for which all inputs which have a significant effect on therecordedfair value are observable, either directly or indirectly
Level 3:	techniques which use inputs which have a significant effect on the recorded fair valuethat are not based on observable market data.

The quantitative disclosures on fair value measurement hierarchy for assets as of June 30, 2021 and December 31, 2020 follow:

	June 30, 2021 (Unaudited)				
		Fair value measurements using			
	Carrying values	**Total**	**Quoted prices**	**Significant**	**Significant**
Assets measured at fair value					
Quoted equity securities	**₱494,279,447**	**₱494,279,447**	**₱494,279,447**	**₱–**	**₱–**
Unquoted equity securities	**229,431,007**	**229,431,007**	**–**	**–**	**229,431,007**
Assets for which fair value are disclosed					
Installment contracts	**3,084,682,987**	**3,147,346,882**	**–**	**–**	**3,147,346,882**
Investment properties	**5,830,972,974**	**8,511,850,232**	**–**	**–**	**8,511,850,232**
Liabilities for which fair value are disclosed					
Short-term debt	**1,766,732,354**	**1,766,732,354**	**–**	**–**	**1,766,732,354**
Long-term debt*	**21,349,769,821**	**21,461,038,200**	**–**	**–**	**21,461,038,200**

	December 31, 2020 (Audited)				
		Fair value measurements using			
	Carrying values	Total	Quoted prices in	Significant offer	Significant
Assets measured at fair value					
Quoted equity securities	₱592,171,231	₱592,171,231	₱592,171,231	₱–	₱–
Unquoted equity securities	229,276,994	229,276,994	–	–	229,276,994
Assets for which fair value are disclosed					
Installment contracts	₱2,562,124,605	₱2,612,153,894	₱–	₱–	₱2,612,153,894
Investment properties	5,712,412,564	7,671,803,309	–	–	7,671,803,309
Liabilities for which fair value are disclosed					
Short-term debt	6,148,970,554	6,148,970,554	–	–	6,148,970,554
Long-term debt	11,029,827,676	11,071,000,000	–	–	11,071,000,000

As at June 30, 2021, the Group's financial assets at FVOCI amounting to ₱494.28 million is carried at fair value based on Level 1 while the fair value for the investment amounting to ₱ 229.43 million is based on Level 3 (Note 7). The fair value for noncurrent receivables are based on Level 3. There have been no transfers between Level 1 and Level 2 during 2021 and 2020.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash, receivables, , financial assets at FVOCI quoted equity securities and accounts and other payables, short-term debt and long-term debt. The Group has otherfinancial liabilities such as accounts and other payables which arise directly from the conduct ofits operations.

Management closely monitors the cash fund and financial transactions of the Group. Thesestrategies, to an extent, mitigate the Group's interest rate and credit risks.

Exposure to liquidity and credit risks arise in the normal course of the Group's business activities.The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;

- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Group's financing and treasury function operates as a centralized service for managingfinancial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Liquidity risk

Liquidity risk is the risk arising from the shortage of funds due to unexpected events ortransactions. The Group manages its liquidity profile to be able to finance the capital expendituresand service the maturing debts. To cover the financing requirements, the Group intends to useinternally generated funds and proceeds from debt and equity offerings.

The Group actively manages its liquidity position so as to ensure that all operating, investing andfinancing needs are met. In mitigating liquidity risk, management measures and forecasts its cashcommitments, matches debt maturities with the assets being financed, maintains a diversity offunding sources with its unhampered access to bank financing and the capital markets. As part of the liquidity risk management, the Group currentlytransacts with local banks for an extension and negotiation of higher undrawn credit lines to meetthe suppliers' and contractors' obligations and business expansion.

Through scenario analysis and contingency planning, the Group also assesses its ability towithstand both temporary and longer-term disruptions relative to its capacity to finance itsactivities and commitments in a timely manner and at reasonable cost, and ensures theavailabilityof ample unused credit facilities as back-up liquidity.

Cash are maintained at a level that will enable it to fund its general and administrative expenses aswell as to have additional funds as buffer for any opportunities or emergencies that may arise.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrumentor customer contract, leading to a financial loss. The Group is exposed to credit risk from itsoperating activities (primarily for trade receivables) and from its financing activities, includingdeposits with banks and financial institutions, foreign exchange transactions and other financialinstruments.

Financial assets comprise of cash on hand and in bank, trade receivable, interest receivable and financial assets at FVOCI quoted equity securities . The Group adheres to fixed limits and guidelines in its dealings withcounterparty banks and its investment in financial instruments. Given the high credit standing ofits accredited counterparty banks, management does not expect any of these financial institutionsto fail in meeting their obligations. The Group's exposure to credit riskfrom cash on hand and inbank and , financial assets at FVOCI quoted equity securities arise from the default of thecounterparty, with a maximumexposure equal to the carrying amounts of these instruments.

Real estate contracts

Receivable balances are being monitored on a regular basis to ensure timely execution ofnecessary intervention efforts. The credit risk for installment contracts receivables ismitigated asthe Group has the right to cancel the sales contract without need for any court action and takepossession of the subject lot in case of refusal by the buyer to pay on time the amortization due. This risk is further mitigated because the corresponding title to the subdivision units sold underthis arrangement is transferred to the buyers only upon full payment of the contract price.

The credit quality of the financial assets was determined as follows:
Cash - based on the nature of the counterparty.

Receivables - high grade pertains to receivables with no default in payment; medium gradepertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables withmore than 3 defaults in payment.

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in thelevels of equity indices and the value of individual stocks. The Group manages the equity pricerisk through diversification and placing limits on equity instruments.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument willfluctuate because of changes in market interest rates. The Group's exposure to the risk of changesin market interest rates relates primarily to the Group's long-term debt obligations with floatinginterest rates.

The Group's interest rate risk management policy centers on reducing the overall interest expenseand exposure to changes in interest rates. Changes in market interest rates relate primarily to theGroup's interest-bearing debt obligations with floating interest rate as it can cause a change in theamount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaininga debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function ofhistorical, current trend and outlook of interest rates, volatility of short-term interest rates, thesteepness of the yield curve, and degree of variability of cash flows.

8. Property and equipment

The rollforward analysis of this account follow:

	June 30, 2021 (Unaudited)				
	Office Tools and Equipment	**Transportation Equipment**	**Furniture and Fixtures**	**Software**	**Total**
Cost					
Balances at January 1	**₱58,767,831**	**₱112,419,754**	**₱12,006,599**	**₱38,333,814**	**₱221,527,998**
Additions	**1,383,494**	**5,500,736**	**914,077**	**–**	**7,798,308**
Balances at June 30	**60,151,325**	**117,920,490**	**12,920,676**	**38,333,814**	**229,326,306**
Accumulated Depreciation and Amortization					
Balances at January 1	**27,479,150**	**91,330,243**	**9,531,002**	**38,333,814**	**166,674,209**
Depreciation and amortization	**3,284,754**	**4,640,970**	**316,104**	**–**	**8,241,828**
Balances at June 30	**30,763,904**	**95,971,213**	**9,847,106**	**38,333,814**	**174,916,037**
Net Book Value	**₱29,387,422**	**₱21,949,277**	**₱3,073,570**	**₱–**	**₱54,410,269**

	December 31, 2020 (Audited)				
	Office Tools and Equipment	Transportation Equipment	Furniture and Fixtures	Software	Total
Cost					
Balances at January 1	₱52,310,560	₱101,051,518	₱11,914,724	₱38,333,814	₱203,610,616
Additions	6,457,271	11,368,236	91,875	–	17,917,382
Balances at December 31	58,767,831	112,419,754	12,006,599	38,333,814	221,527,998
Accumulated Depreciation and Amortization					
Balances at January 1	19,670,414	78,229,515	8,495,604	38,311,183	144,706,716
Depreciation and amortization	7,808,736	13,100,728	1,035,398	22,631	21,967,493
Balances at December 31	27,479,150	91,330,243	9,531,002	38,333,814	166,674,209
Net Book Value	₱31,288,681	₱21,089,511	₱2,475,597	₱–	₱54,853,789

Depreciation expense pertaining to mall operations recognized as costs of rental income amounted to₱0.11 million and ₱0.14 million for the period ended June 30, 2021 and 2020, respectively.

9. Investment Properties

The rollforward analyses of this account follow:

	June 30, 2021 (Unaudited)					
	Land	**Land Improvements**	**Buildings and Improvements**	**Machinery and Equipment**	**Construction in Progress**	**Total**
Cost						
Balances at January 1	**₱1,802,529,188**	**₱44,259,000**	**₱5,005,832,506**	**₱412,409,000**	**₱26,894,476**	**₱7,291,924,170**
Additions	**–**	**4,873,853**	**–**	**–**	**182,036,339**	**186,910,192**
Balances at March 31	**1,802,529,188**	**49,132,853**	**5,005,832,506**	**412,409,000**	**208,930,815**	**7,478,834,362**
Accumulated Depreciation						
Balances at January 1	**–**	**14,384,177**	**1,152,718,429**	**412,409,000**	**–**	**1,579,511,606**
Depreciation (Note 15)	**–**	**–**	**68,349,782**	**–**	**–**	**68,349,782**
Balances at March 31	**–**	**14,384,177**	**1,221,068,211**	**412,409,000**	**–**	**1,647,861,388**
Net Book Value	**₱1,802,529,188**	**₱34,748,676**	**₱3,784,764,295**	**₱–**	**₱208,930,815**	**₱5,830,972,974**

	December 31, 2021 (Audited)					
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
Cost						
Balances at January 1	₱1,802,529,188	₱44,259,000	₱4,096,405,938	₱412,409,000	₱697,531,959	₱7,053,135,085
Additions	–	–	13,255,943	–	225,533,142	238,789,085
Transfers	–	–	896,170,625	–	(896,170,625)	–
Balances at March 31	1,802,529,188	44,259,000	5,005,832,506	412,409,000	26,894,476	7,291,924,170
Accumulated Depreciation						
Balances at January 1	–	13,277,702	1,030,030,541	412,409,000	–	1,455,717,243
Depreciation (Note 15)	–	1,106,475	122,687,888	–	–	123,794,363
Balances at March 31	–	14,384,177	1,152,718,429	412,409,000	–	1,579,511,606
Net Book Value	₱1,802,529,188	₱29,874,823	₱3,853,114,077	₱–	₱26,894,476	₱5,712,412,564

The construction in progress represents capitalized costs arising from the construction of the Parent Company's mall project that is located in Panacan, Davao City. The expected completion date of Ponte Verde Mall is on July 31, 2024. In 2020, the transfer from construction in progress to building and improvements represents the completion of the Sta. Lucia Business Center that is located in Cainta, Rizal.

The aggregate fair value of the Group's investment properties amounted to ₱8,511.90 million and ₱7,671.80 million as of June 30, 2021 and December 31, 2020, respectively.

The latest valuation was obtained on December 31, 2019. The fair values were determined by independent professionally qualified appraisers. The fair value of the investment properties disclosed in the financial statements is categorized within Level 3 of the fair value hierarchy.

The fair value of investment properties was determined using the Income Approach based on discounted cash flow analysis as determined by independent professionally qualified appraisers. Under the Income Approach, all expected cash flow from the use of the asset were projected and discounted using the appropriate discount rate reflective of the market expectations.

10. Related Party Transactions

The related amounts and outstanding balances from related party transactions as of June 30, 2021 and December 31, 2020 follow:

	June 30, 2021 (Unaudited)				
	Volume	**Outstanding**	**Terms**	**Conditions**	
Trade receivables					
Ultimate Parent Company (SLRDI)					
Sharing of expenses, collection from buyers collected by SLRDI, unremitted share of SLRDI, marketing fee	**(₱12,461,384.59)**	**₱572,997,756**	**Due and demandable; noninterest-bearing**	**Unsecured; impairment (Note 15)**	**no**
Affiliate (SLECC)	**1,240,662**	**38,460,659**	**Due and demandable; noninterest-bearing**	**Unsecured; impairment**	**no**
Rental and management fee					
Affiliate (Mall Tenants)					
Rental income	**(10,316,292)**	**26,180,134**	**Due and demandable; noninterest-bearing**	**Unsecured; impairment**	**no**
		₱637,638,549			
Non-trade receivables					
Affiliate (Marketing Arm)					
Advances	**₱–**	**₱921,832**	**Due and demandable; noninterest-bearing**	**Unsecured; impairment**	**no**
Key officers and directors	**₱5,715,979**	**₱78,846,395**	**Due and demandable; noninterest-bearing**	**Unsecured; impairment**	**no**
Trade payables					
Ultimate Parent Company (SLRDI)					
Advances	**₱2,422,359**	**₱58,740,908**	**Payable on demand; noninterest bearing**	**Unsecured**	
Advances from shareholders					
Advances	**–**	**16,346,102**	**Payable on demand; noninterest bearing**	**Unsecured**	
		₱75,087,010			

	December 31, 2020 (Audited)				
	Volume	Outstanding	Terms	Conditions	
Trade receivables					
Ultimate Parent Company (SLRDI)					
Sharing of expenses, collection from buyers collected by SLRDI, unremitted share of SLRDI, marketing fee	₱137,234,705	₱585,459,141	Due and demandable; noninterest-bearing	Unsecured; impairment (Note 15)	no

	December 31, 2020 (Audited)			
	Volume	Outstanding	Terms	Conditions
Affiliate (SLECC)	(7,142,523)	37,219,997	Due and demandable; noninterest-bearing	Unsecured; no impairment
Rental and management fee				
Affiliate (Mall Tenants)				
Rental income	(20,776,640)	36,496,426	Due and demandable; noninterest-bearing	Unsecured; no impairment
		₱659,175,564		
Non-trade receivables				
Affiliate (Marketing Arm)				
Advances	₱200,000	₱921,832	Due and demandable; noninterest-bearing	Unsecured; no impairment
Key officers and directors	₱8,607,794	₱73,130,416	Due and demandable; noninterest-bearing	Unsecured; no impairment
Trade payables				
Ultimate Parent Company (SLRDI)				
Advances	₱17,713,026	₱56,318,549	Payable on demand; noninterest bearing	Unsecured
Advances from shareholders				
Advances	–	16,346,102	Payable on demand; noninterest bearing	Unsecured
		₱72,664,651		

The Group in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. Except as expressly disclosed, these accounts are noninterest-bearing and are generally unsecured. The outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed-upon by the parties.

The significant transactions with related parties follow:

a. The Parent Company, in the normal course of business, has transactions with the Ultimate Parent Company consisting of non-interest-bearing advances for working capital requirements with no fixed repayment terms.

b. Other transactions with the Ultimate Parent Company include noninterest-bearing cash advances for various charges for reimbursements of expenses on gasoline consumption of service vehicles, repairs and maintenance, supplies, rentals for project exhibits and advertising/marketing costs. This pertains to the monthly amortization payment from the buyers of the Parent Company collected by the Ultimate Parent Company due to be remitted to the Parent Company.

c. In 2014, SLLI and SLRDI entered into several memorandums of agreements wherein SLLI undertakes the development and marketing of the several projects of SLRDI and has assumed the position of the development contractor and marketing arm. In consideration of the services rendered by SLLI, SLRDI has agreed to the following:

   Colinas Verdes Bulacan Project - SLRDI has entered into a joint arrangement with Araneta Properties, Inc. (API) for a proceed sharing agreement of 60% SLRDI - 40% API share. SLLI shall be entitled to 75% of SLRDI's share in the joint arrangement and 12% marketing fee on the gross selling price of all sales made from the project;

   - Green Meadows Iloilo Project - SLRDI has entered into a joint arrangement with AFP-Retirement and Separation Benefits System (ARSBS) for a lot sharing agreement of

55% SLRDI - 45% ARSBS share. SLLI shall be entitled to 75% of SLRDI's share in the joint arrangement and 12% marketing fee on the gross selling price of all sales made from the project;

- Ponte Verde Davao Project- SLRDI has entered into a joint arrangement with Green Sphere Realty Corporation (GSRC) for a lot sharing agreement of 60% SLRDI - 40% GSRC share. SLLI shall be entitled to 75% of SLRDI's share in the joint arrangement and 12% marketing fee on the gross selling price of all sales made from the project; and

- Valle Verde Davao Project - SLRDI has entered into a joint arrangement with GSRC for a lot sharing agreement of 60% SLRDI - 40% GSRC share. SLLI shall be entitled to 75% of SLRDI's share in the joint arrangement and 12% marketing fee on the gross selling price of all sales made from the project.

Total share from the proceeds of SLRDI from the joint operations amounted to ₱92.27 million and ₱152.58 million as of June 30, 2021 and December 31, 2020 respectively. The share amounting ₱23.07 million and ₱38.14 million, are still to be remitted or offset against the receivable from SLRDI as of 2021 and 2020, respectively.

d. Effective October 1, 2014, SLLI directly entered into lease agreements with mall tenants. SLECC and SLLI, on the other hand, entered into a management services agreement effective October 1, 2014 wherein SLECC will provide property management and business development services, leveraging its knowledge in the mall operations from the past years. In exchange of SLECC's services, SLLI shall pay SLECC a management fee equivalent to 5% of the gross rental revenue for managing mall operations including, repairs and maintenance and collection of space rental from storeowners or tenants.

   In addition, the Parent Company has receivables from affiliate mall tenants. This pertains to accrued rental income amounting to ₱26.18 million and ₱36.50 million as of June 30, 2021 and December 31, 2020, respectively.

e. The Parent Company made cash advances for pre-operating costs for various expenses like registration fees, taxes and licenses fees to its marketing arm. The advances amounted to nil and ₱0.20 million in 2021 and 2020, respectively.

f. The Parent Company made noninterest-bearing cash advances to officers and directors which is subject to liquidation.

   These advances amounted to ₱5.72 million and ₱8.61 million in 2021 and 2020, respectively.

   As of June 30, 2021 and December 31, 2020, the Group has not made any provision for ECL relating to amounts owed by related parties. There have been no guarantees and collaterals provided or received for any related party receivables or payables. This assessment of the Group is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Key Management Personnel

Compensation of key management personnel by benefit type follows:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Short-term employee benefits	**₱7,335,000**	₱7,335,000
Post-employment benefits	**277,372**	277,372
	₱7,612,372	₱7,612,372

ITEM 2: MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULT OF OPERATIONS

Result of Operations
(Six-month period ended June 30, 2021 compared to the six-month period ended June 30, 2020)

Revenue

Sta. Lucia Land Inc. and Subsidiaries' (Group) net income grew by 90% or P681.32 million for the six-month period ending June 30, 2021. The Group was able to increase the real estate sales by 64% comparing to the same period last year. Its commercial operation also posted a 21% or P48.28 million increased during the period. With the experienced pandemic last year, the Group was able to implement measures to minimized its impact. Interest income, commission income and other income all increased by 123%, 1,049% and 70% or P103.93 million, P33.24 million and P84.14 million respectively.

Cost and Expense

The Group posted 34% or P855.18 million increase in total expenses for the six-month period ending June 30, 2021. The increase was primarily observed due to the opening of business operations as the government imposed quarantine classifications are shifted to a less strict status. Cost of sales and cost of rental income increased by 191% and 12% or P657.93 million and P20.54 million respectively as real estate sales and rental income posted increase during the period. Selling, general and administrative expenses increased by 77% or P267.94 million.

Comprehensive Income

Total comprehensive income of the Group is reported at P1,549.85 million which is 130% higher comparing to the same period last year. The increase was primarily due to the experienced increase in the total gross revenue for the period ending June 30, 2021.

Financial Condition
(*Six months ended June 30, 2021 compared to year ended December 31, 2020)*

Total Assets

Total assets reported by the Group grew from P45,785.80 million in December 31, 2020 to P54,359.14 million in June 30, 2021. The increase of 19% or P8,573.34 million was due to the experienced increase in recognized net income in the period as well as the success of the raising of a P7,000 million worth of corporate notes to support the expansion plan of the Group.

Total Liabilities

With a wide headroom for debt, the company maximized its access to the debt market by raising a P7,000 million worth of corporate notes. The proceeds were primarily used to pay out more expensive loans which was made to take advantage the decreasing interest rates due to the experienced pandemic. The raising of the P7,000 million worth of corporate notes primarily impacted the total liabilities which increased by 26% or P7,245.49 million during the period.

Key Performance Indicators

	June 30, 2021	December 31, 2020
Current Ratio	**3.04**	**2.01**
Debt to Equity	**1.22**	**0.97**
Interest Coverage Ratio	**446.49%**	**341.52%**
Return on Asset	**2.65%**	**3.73%**
Return on Equity	**7.56%**	**9.65%**

*Notes to Key Performance Indicator:

1. Current Ratio = current assets (*cash, receivables, inventories, due from affiliates, prepaid commissions, and other current asset*) over current liabilities (*accounts payable, customer deposit, current portion of bank loans and income tax payables*).
2. Debt to Equity = Total debtover shareholder's equity.
3. Interest Coverage Ratio= Earnings before Income Tax amd Interest Expense over Interest Expense
4. Return on Asset = Net Income over Total Assets
5. Return on Equity = Net Income over shareholder's equity.

Material Changes in the Balance Sheet (+/- 5%) as of June 30, 2021 versus the Balance Sheet as of December 31, 2020

558% increase in cash
The significant increase in cash was primarily attributable to the raising of a P7,000 million Corporate Notes during the first quarter of 2021.

42% decrease in current contract assets
Decrease in the current contract asset was result of more projects being completed during the period. Comparing the the same period last year, project development activities were limited due to the imposed quarantine classifications to the various location where the Group's project are situated.

7% increase in real estate inventory
As quarantine classification were loosen during the period, a little to no disruption was experienced with the project development activities which contributed to the increase in the real estate inventory balance for the first half of 2021.

18% increase in other current assets
This consists of increased advances made to contractors by the Group to boost its project developments and project development mobilization for its expansion throughout the country.

93% increase in non current installment contract receivables
Majority of the real estate sales for first half of 2021 are from buyers preferring installment term as mode of payments for their purchase as evidenced by the increase in installment contract receivables.

87% increase in non current contract assets
Increase was primarily due to the increase in real estate sales from customer for the new projects launches during the period.

14% decrease in financial assets at fair value through other comprehensive income
Decrease was due to the movement of market values of quoted investment securities of Phil Racing Inc. and Manila Jockey Club Inc.

86% decrease in other noncurrent assets
Decrease was due to payments advances made to contractors to develop raw lands purchased in the previous year and are falling due within the 12 month of current reporting period.

17% increase in accounts and other payables
Primarily due to the procurement of raw land to be used in project developments under installment payment schemes and billings from contractors that is not due for payment.

71% decrease in short term debts
Majority of the Group's short term debts with more expensive interest rates were settled to take advantage with the lower interest rates during the period.

75% decrease in income tax payable
The decrease in income tax payable was due to the implementation of CREATE law, lowering the corporate income tax rate to 25%.

10% decrease in current portion long-term debt
The decrease was primarily due to the settlement of the P2,000 million bonds payable due during the first quarter of 2021 and other principal due for the first half of 2021.

133% increase in long-term debt
The settlement of the P7,000 million bonds payable was made through a new Credit Notes Facility. The facility amounts to a total of P7,000 million of which P7,000 million was already drawn in the during the first half of 2021.

63% increase in noncurrent contract liabilities
Increase in real estate sales during the period has significantly affected the contract liabilities during the period.

13% increase in deferred tax liabilities
Increase was due to the changes in the accounts impacting temporary differences in the computation of tax liabilities of the Group.

18% increase in retained earnings
Increase in retained earnings is primarily attributable to the net income recognized during the period.

30% decrease in unrealized fair market value of AFS
Decrease was due to the decrease in market price of investment securities in Philippine Racing Inc. and Manila Jockey Club Inc.

Material Changes in the Income Statement (+/-5%) for the Six-Month Period Ended June 30, 2021 versus the Income Statement for the Six-Month Period Ended June 30, 2020

64% increase in real estate sales
The Group was able to increase its real estate sales through the efforts of its marketing arms as well as the deployments of its sales force with the curtailment of the quarantine protocols implemented by the Government.

21% increase in rental income
As the quarantine protocols were set to a lesser strict classification, commercial operations were opened up increasing the rental renevue for the first half of 2021.

123% increase in interest income
Significant increase in the recognized real estate sales directly affected the recognized interest income for the first half of 2021 as customers preferred installment payment scheme for their property purchased.

1,049% increase in commission income
As the Government had shift to a lesser strict quarantine classification, operation of the marketing companies were normalized, posting increased in real estate sales which directly affect the commission income of the Group.

70% increase in other income
Increase is a result of booking of surcharges / penalties from customer's default on payment, income from hotel operations and gains from repossession.

191% increase in cost of real estate sales
Cost of real estate sales posted significant increase for the first half of 2021 due to the noted robust increase in real estate sales during the period.

12% increase in cost of rental income
The shift to a lesser strict quarantine classification opened up the commercial operations. As effect, attributable cost of rental income also increase for the first half of 2021.

91% increase in commissions
Increase in recognized commission expense was directly proportional to the sales recognized during the period.

19% decrease in representation
Decrease in selling and administrative expenses was still brought about by the limitation of some operations as result of still imposed quarantine protocols by the Government.

148% increase in taxes and licenses
Increase brought about by the payments made in the processing of permits and licenses directly attributable project developments for the mobilization of the development activities druing the first half of 2021.

31% increase salaries and wages and other benefits
Increase in salaries and wages and other benefits was primarily due to the release of the mid-year bonuses by the Gorup to its employees.tcjr

16% increase in advertising expense
Decrease in selling and administrative expenses was still brought about by the limitation of some operations as result of still imposed quarantine protocols by the Government.

8% increase in professional fees
Increase in professional fees was attributed to Group availing outside professional services to external parties which includes the valuation of existing properties and other related services for the business operations.

108% increase in utilities
Increase was due to higher consumption of power, water and other utilities during the period, attributed to the business operations of the Group.

351% increase in repairs and maintenance
The increased in recognized repairs and maintenance expense was due to the mobilization of project development activities and the periodic maintenance of the Group's assets.

116% increase in miscellaneous expenses
Increase was due to higher surcharges and penalties, insurance, legal, office supplies, software maintenance and transportation expenses incurred by the Group.

PART II – OTHER INFORMATION

Item 3: Six Months of 2021 Developments

No additional subscription was made by the Company nor was any merger executed.

A. Composition of Board of Directors

Vicente R. Santos	Chairman
Exequiel D. Robles	President
Mariza Santos-Tan	Treasurer
Aurora D. Robles	Assistant Treasurer
Antonio D. Robles	Director
Orestes R. Santos	Director
Simeon Cua	Director
Renato C. Francisco	Independent Director
Danilo A. Antonio	Independent Director

B. Performance of the corporation or result/progress of operations.
Please see the unaudited Financial Statements and Management's Discussion and Analysis (MD&A) on result of operation with regards to the performance of the corporation or result/process of operations.

C. Declaration of Dividends.
None

D. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements.
None

E. Offering of rights, granting of Stock Options and corresponding plans thereof.
None

F. Acquisition of additional mining claims or other capital assets or patents, formula, real estate.
Not Applicable

G. Other information, material events or happenings that may have affected or may affect market price of security.
None

H. Transferring of assets, except in normal course of business.
None

Item 4: Other notes to Operations and Financials as of June 30, 2021

I. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents
None

J. Nature and amount of change in estimates of amounts reported in prior periods and their material effect in the current period.
There were no changes in estimates of amounts reported in prior interim period or prior financial years that have a material effect in the current interim period.

K. New financing through loans/issuances, repurchases and repayments of debt and equity securities.
Raising of a Php7,000 million worth of Corporate Notes, primarily to be used in the payment of more expensive outstanding loans.

L. All Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
There were no material events subsequent to the end of the interim period that has not been reflected in the financial statements for the period covered.

M. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long term investment restructurings, and discontinuing operations.
None

N. Changes in contingent liabilities or contingent assets since the last annual balance sheet date.
None

O. Existence of material contingencies and other material events or transactions during the interim period.
None

P. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
None

Q. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or others persons created during the reporting period.
None

R. Material commitments for capital expenditures, general-purpose and expected sources of funds.
None

S. Known trends, events, or uncertainties that have had or that are reasonably expected to have an impact on sales/revenues/income from continuing operations.
None

T. Significant elements of income or loss that did not arise from continuing operations.
None

U. Causes for any material change/s from period to period in one or more line items of the financial statements.

See Management Discussion & Analysis portion of the quarter report

V. Seasonal aspects that had material effect on the financial condition or results of operations.
None

W. Disclosures not made under SEC Form 17-C
None

STA. LUCIA LAND, INC. AND SUBSIDIARIES

FINANCIAL RATIOS
As of June 30, 2021

	June 30, 2021	December 31, 2020
Current Ratio	**3.04**	**2.01**
Debt to Equity	**1.22**	**0.97**
Interest Coverage Ratio	**446.49%**	**341.52%**
Return on Asset	**2.65%**	**3.73%**
Return on Equity	**7.56%**	**9.65%**

SIGNATURES

Pursuant to the Requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STA. LUCIA LAND, INC.
Issuer [redacted]

VICENTE R. SANTOS
Chairman of the Board
Date: September 30, 2021

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Sta. Lucia Land, Inc. and its subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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.

The Board of Directors is responsible for overseeing the Group'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 auditor appointed by the stockholders, has audited the consolidated financial statements of the Group 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.

[redacted]

Vicente R. Santos,
Chairman of the Board

[redacted]

Exequiel D. Robles,
President & Chief Executive Officer

[redacted]

David M. Dela Cruz
EVP - Chief Financial Officer

Signed this _____ day of MANDALUYONG CITY 10 AUG 2021

SUBSCRIBED AND SWORN to before me, this ____ day of ______________ affiant exhibiting to me their community tax certificates.

[redacted]

JERRY P. DELA CRUZ
Notary Public for Mandaluyong City
Until 31 December 2021

Doc. No. 383;
Page No. 78;
Book No. XXXVIII
Series of 2021

Penthouse Building 3, Sta. Lucia East Grand Mall cor. Felix Ave. & Marcos Hi-way, Cainta, Rizal 1900
Tel. Nos.: 8681-7332 / 8681-5220 to 21 Fax No.: 8681-7467 www.sta.lucialand.com.ph

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	3	1	0	5	0

COMPANY NAME

STA. LUCIA LAND, INC. AND SUBSIDIARIES

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

Penthouse Bldg. 3, Sta. Lucia Mall, Marcos Highway cor. Imelda Avenue, Cainta, Rizal

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.stalucialand.com.ph	8681-7322	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
265	Third Friday of June	12/31

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
David M. Dela Cruz	dmdelacruz@stalucialand.com.ph	8681-7322	N/A

CONTACT PERSON's ADDRESS

Penthouse Bldg. 3, Sta. Lucia Mall, Marcos Highway cor. Imelda Avenue, Cainta, Rizal

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.*

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

Tel: (632) 8891 0307
Fax: (632) 8819 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
Sta. Lucia Land, Inc. and Subsidiaries
Penthouse Bldg. 3, Sta. Lucia Mall
Marcos Highway cor. Imelda Avenue
Cainta, Rizal

Opinion

We have audited the accompanying consolidated financial statements of Sta. Lucia Land, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the 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, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

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Real Estate Revenue Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the output method as the measure of progress in determining real estate revenue; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

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

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's project development engineers and project managers. This is based on the quarterly project accomplishment report prepared by the Group's project development engineers as approved by the project managers which integrates the surveys of performance as of quarter end of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

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

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

The disclosures related to real estate revenue are included in Note 4 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year. We traced the analysis to supporting documents such as deed of cancellation.

For the application of the output method, in determining real estate revenue, we obtained an understanding of the Group's processes for determining the POC, and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project development engineers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period and obtained the supporting details of POC reports showing the completion of the major activities of project construction.

For the cost of sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

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

Other Information

Management is responsible for the Other Information. 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, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 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 Other Information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Michael C. Sabado.

SYCIP GORRES VELAYO & CO.

[redacted]

Michael C. Sabado
Partner

[redacted]

May 17, 2021

STA. LUCIA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 27)	**₱942,820,503**	₱903,368,151
Receivables (Notes 6, 19 and 27)	**3,494,595,518**	2,368,876,780
Contract assets (Notes 4 and 6)	**1,880,380,969**	1,618,898,886
Real estate inventories (Note 7)	**24,931,122,564**	21,870,084,999
Other current assets (Note 8)	**5,400,988,661**	4,715,650,033
Total Current Assets	**36,649,908,215**	31,476,878,849
Noncurrent Assets		
Installment contracts receivables - net of current portion (Notes 6 and 27)	**1,014,073,112**	547,168,163
Contract assets - net of current portion (Notes 4 and 6)	**967,495,032**	1,241,636,221
Investment properties (Note 10)	**5,712,412,564**	5,597,417,842
Property and equipment (Note 11)	**54,853,789**	58,903,900
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9 and 27)	**821,448,225**	948,175,535
Pension asset (Note 20)	**328,530**	–
Other noncurrent assets (Note 8)	**565,280,118**	482,115,594
Total Noncurrent Assets	**9,135,891,370**	8,875,417,255
	₱45,785,799,585	₱40,352,296,104
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Notes 14 and 27)	**₱6,148,970,554**	₱3,521,188,200
Accounts and other payables (Notes 12, 19 and 27)	**5,407,788,319**	4,784,226,831
Income tax payable	**87,348,124**	49,578,644
Contract liabilities - current portion (Notes 4, 6 and 13)	**3,591,662,052**	3,039,228,284
Long-term debt - current portion (Note 14)	**3,027,518,421**	467,000,000
Total Current Liabilities	**18,263,287,470**	11,861,221,959
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 14 and 27)	**8,002,309,255**	10,998,030,651
Contract liabilities - net of current portion (Notes 4, 6 and 13)	**379,516,810**	418,387,376
Pension liabilities (Note 20)	**–**	6,015,885
Deferred tax liabilities - net (Note 24)	**1,442,870,704**	954,645,124
Total Noncurrent Liabilities	**9,824,696,769**	12,377,079,036
Total Liabilities	**28,087,984,239**	24,238,300,995
Equity		
Capital stock (Note 15)	**10,796,450,000**	10,796,450,000
Additional paid-in capital	**330,004,284**	330,004,284
Retained earnings (Note 15)	**7,846,506,131**	6,138,559,844
Treasury shares (Note 15)	**(1,640,000,000)**	(1,640,000,000)
Net unrealized gain on fair value of financial assets at FVOCI (Note 9)	**364,692,477**	491,419,787
Remeasurement gains (losses) on pension - net of tax (Note 20)	**162,454**	(2,438,806)
Total Equity	**17,697,815,346**	16,113,995,109
	₱45,785,799,585	₱40,352,296,104

See accompanying Notes to Consolidated Financial Statements.

STA. LUCIA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE			
Real estate sales (Notes 4, 21 and 22)	**₱5,383,079,540**	₱5,871,496,779	₱2,428,307,857
Rental income (Notes 22 and 23)	**534,700,679**	898,291,953	858,758,442
Interest income (Note 16)	**479,793,372**	647,009,860	300,973,297
Commission income	**91,526,979**	93,579,168	181,286,064
Dividend income (Note 9)	**9,202,279**	5,662,941	7,157,683
Others (Note 17)	**354,844,435**	294,247,077	255,736,621
	6,853,147,284	7,810,287,778	4,032,219,964
COSTS OF SALES AND SERVICES			
Cost of real estate sales (Notes 7, 21 and 22)	**2,025,251,641**	2,680,779,445	959,025,588
Cost of rental income (Notes 10, 17 and 22)	**368,364,448**	550,171,787	553,974,130
	2,393,616,089	3,230,951,232	1,512,999,718
SELLING AND ADMINISTRATIVE EXPENSES			
Commissions	**622,045,846**	687,847,930	324,666,305
Taxes, licenses and fees	**99,410,726**	100,089,878	70,826,085
Advertising	**68,721,678**	107,850,974	59,715,755
Salaries and wages and other benefits (Notes 19 and 20)	**85,024,174**	82,484,066	65,093,880
Representation	**48,995,547**	71,117,895	17,987,405
Repairs and maintenance	**41,053,548**	62,952,804	33,631,046
Depreciation and amortization (Note 11)	**21,661,127**	23,054,735	16,950,967
Professional fees	**16,403,046**	42,787,122	21,077,509
Utilities	**6,925,050**	14,926,519	7,476,177
Expected credit loss (Note 6)	**1,350,074**	1,066,676	1,393,944
Transportation, travel, office supplies and miscellaneous	**55,617,204**	68,325,213	51,579,006
	1,067,208,020	1,262,503,812	670,398,079
INTEREST EXPENSE (Notes 14 and 18)	**993,299,139**	886,019,509	706,707,500
INCOME BEFORE INCOME TAX	**2,399,024,036**	2,430,813,225	1,142,114,667
PROVISION FOR INCOME TAX (Note 24)	**691,077,749**	694,616,305	76,935,383
NET INCOME	**1,707,946,287**	1,736,196,920	1,065,179,284
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Unrealized gains (losses) on fair value of financial assets at FVOCI (Note 9)	**(126,727,310)**	(77,348,407)	37,007,331
Remeasurement gains (losses) on pension - net of tax (Note 20)	**2,601,260**	839,569	(3,064,700)
	(124,126,050)	(76,508,838)	33,942,631
TOTAL COMPREHENSIVE INCOME	**₱1,583,820,237**	₱1,659,688,082	₱1,099,121,915
Basic/Diluted Earnings Per Share (Note 25)	**₱0.21**	₱0.21	₱0.12

See accompanying Notes to Consolidated Financial Statements.

STA. LUCIA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital stock (Note 15)	Additional paid-in capital (Note 15)	Treasury stock (Note 15)	Retained earnings	Net unrealized gain on fair value of financial assets at FVOCI (Note 9)	Remeasurement gains (losses) on pension - net of tax (Note 20)	Total
				For the Year Ended December 31, 2020			
Balances as of January 1, 2020	**₱10,796,450,000**	**₱330,004,284**	**(₱1,640,000,000)**	**₱6,138,559,844**	**₱491,419,787**	**(₱2,438,806)**	**₱16,113,995,109**
Comprehensive income (loss)							
Net income	–	–	–	**1,707,946,287**	–	–	**1,707,946,287**
Other comprehensive income (loss)	–	–	–	–	**(126,727,310)**	**2,601,260**	**(124,126,050)**
Total comprehensive income (loss)	–	–	–	**1,707,946,287**	**(126,727,310)**	**2,601,260**	**1,583,820,237**
Balances as of December 31, 2020	**₱10,796,450,000**	**₱330,004,284**	**(₱1,640,000,000)**	**₱7,846,506,131**	**₱364,692,477**	**₱162,454**	**₱17,697,815,346**
				For the Year Ended December 31, 2019			
Balances as of January 1, 2019	₱10,796,450,000	₱330,004,284	(₱1,640,000,000)	₱4,402,362,924	₱568,768,194	(₱3,278,375)	₱14,454,307,027
Comprehensive income (loss)							
Net income	–	–	–	1,736,196,920	–	–	1,736,196,920
Other comprehensive income (loss)	–	–	–	–	(77,348,407)	839,569	(76,508,838)
Total comprehensive income (loss)	–	–	–	1,736,196,920	(77,348,407)	839,569	1,659,688,082
Balances as of December 31, 2019	₱10,796,450,000	₱330,004,284	(₱1,640,000,000)	₱6,138,559,844	₱491,419,787	(₱2,438,806)	₱16,113,995,109
				For the Year Ended December 31, 2018			
Balances as of January 1, 2018	₱10,796,450,000	₱330,004,284	(₱740,000,000)	₱3,337,183,640	₱531,760,863	(₱213,675)	₱14,255,185,112
Acquisition of treasury shares (750.00 million shares at ₱1.20 per share)	–	–	(900,000,000)	–	–	–	(900,000,000)
Comprehensive income (loss)							
Net income	–	–	–	1,065,179,284	–	–	1,065,179,284
Other comprehensive income (loss)	–	–	–	–	37,007,331	(3,064,700)	33,942,631
Total comprehensive income (loss)	–	–	–	1,065,179,284	37,007,331	(3,064,700)	1,099,121,915
Balances as of December 31, 2018	₱10,796,450,000	₱330,004,284	(₱1,640,000,000)	₱4,402,362,924	₱568,768,194	(₱3,278,375)	₱14,454,307,027

See accompanying Notes to Consolidated Financial Statements.

STA. LUCIA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,399,024,036**	₱2,430,813,225	₱1,142,114,667
Adjustments for:			
Interest expense (Notes 14 and 18)	**993,299,139**	886,019,509	706,707,500
Depreciation and amortization (Notes 10, 11 and 17)	**145,761,856**	153,025,592	127,996,499
Pension expense (Note 20)	**1,371,671**	1,719,109	963,562
Loss on retirement of property and equipment	**–**	–	624,620
Dividend income (Note 9)	**(9,202,279)**	(5,662,941)	(7,157,683)
Gain on repossession of inventories (Notes 7 and 17)	**(94,277,405)**	(29,602,737)	(34,897,007)
Interest income (Notes 5, 6 and 16)	**(479,793,372)**	(647,009,860)	(300,973,297)
Operating income before changes in working capital	**2,956,183,646**	2,789,301,897	1,635,378,861
Changes in working capital:			
Decrease (increase) in:			
Receivables (Notes 6, 27 and 28)	**(1,453,947,443)**	(222,547,038)	1,077,120,947
Real estate inventories (Notes 7, 27 and 28)	**(2,859,722,128)**	(984,884,383)	(2,124,413,306)
Other current assets (Notes 8 and 28)	**(564,952,240)**	(1,510,394,463)	(2,814,418,048)
Contract assets (Notes 4, 6 and 27)	**12,659,106**	(1,485,973,801)	(1,374,561,306)
Increase (decrease) in:			
Accounts and other payables (Notes 12 and 28)	**607,865,921**	(43,988,087)	1,177,239,495
Contract liabilities (Notes 4 and 6)	**513,563,202**	1,394,544,936	839,657,228
Net cash used in operations	**(788,349,936)**	(63,940,939)	(1,583,996,129)
Interest received	**346,632,468**	324,267,244	190,322,415
Income taxes paid	**(166,197,515)**	(286,437,381)	(244,563,492)
Net cash used in operating activities	**(607,914,983)**	(26,111,076)	(1,638,237,206)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Notes 10 and 28)	**(229,565,126)**	(198,719,870)	(104,639,672)
FVOCI (Notes 9 and 28)	**–**	(40,487,342)	–
Property and equipment (Notes 11 and 28)	**(17,917,382)**	(48,305,973)	(6,778,748)
Increase in other noncurrent assets	**(203,550,912)**	(182,311,994)	(95,362,625)
Proceeds from sale of property and equipment (Notes 10 and 17)	**–**	3,599,064	–
Contribution to plan asset (Note 20)	**(4,000,000)**	–	(2,000,000)
Dividends received	**3,686,939**	3,704,544	1,958,397
Net cash used in investing activities	**(451,346,481)**	(462,521,571)	(206,822,648)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans, net of transaction costs (Note 14)	**6,503,481,687**	7,422,038,200	9,211,973,800
Payment of loans (Note 14)	**(4,342,699,333)**	(6,082,100,000)	(6,148,000,000)
Payment of interest (including capitalized borrowing costs)	**(1,079,781,564)**	(1,012,405,178)	(780,250,496)
Increase (decrease) in payable to related parties	**17,713,026**	(65,190)	(369,791)
Net cash provided by financing activities	**1,098,713,816**	327,467,832	2,283,353,513
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**39,452,352**	(161,164,815)	438,293,659
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**903,368,151**	1,064,532,966	626,239,307
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱942,820,503**	₱903,368,151	₱1,064,532,966

See accompanying Notes to Consolidated Financial Statements.

STA. LUCIA LAND, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Sta. Lucia Land, Inc. (SLLI or the Parent Company) is a publicly-listed company incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 6, 1966 under the name Zipporah Mining and Industrial Corporation. On August 14, 1996, the Parent Company's Articles of Incorporation was amended.

Under the amendment, it changed the corporate name to Zipporah Realty Holdings, Inc. and it transferred the original primary purpose to secondary purpose from being a mining firm to a real estate company with the amended primary purpose to acquire by purchase, lease, and to own and develop and hold for investment and/or disposal, real estate of all kinds together with their appurtenances.

On July 16, 2007, the Parent Company changed its corporate name from Zipporah Realty Holdings, Inc. to Sta. Lucia Land, Inc.

Prior to expiration of its corporate life, the Parent Company filed for a new 50-year corporate life which was approved by the SEC on June 16, 2016. The corporate life of the Parent Company expired on December 5, 2016. The approved new 50-year corporate life is until December 5, 2066.

The registered office address and principal place of business of the Parent Company and its subsidiaries (collectively referred to as the Group) is at Penthouse Bldg. 3, Sta. Lucia Mall, Marcos Highway cor. Imelda Avenue, Cainta, Rizal.

The Group is 81.75% owned by Sta. Lucia Realty and Development Inc. (SLRDI or the Ultimate Parent Company).

Approval of Consolidated Financial Statements
As delegated by the Board of Directors (BOD), the accompanying consolidated financial statements were approved and authorized for issue by the Executive Committee and Audit Committee on May 17, 2021.

2. Basis of Preparation and Other Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency and all values are rounded to the nearest Philippine peso except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID 19 situation will remain and recovery is going to be gradual.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the SEC under Memorandum Circular (MC) Nos. 14-2018 and 3-2019 to defer the implementation of the following accounting pronouncements until December 31, 2020. These accounting pronouncements address the issues of PFRS 15, *Revenue from Contracts with Customers* affecting the real estate industry.

Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry

a. Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04);
b. Treatment of land in the determination of the percentage-of-completion (POC);
c. Treatment of uninstalled materials in the determination of the POC (as amended by PIC Q&A 2020-02); and
d. Accounting for Common Usage Service Area (CUSA) charges

Deferral of the adoption of PIC Q&A 2018-14: Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)

The consolidated financial statements also include the availment of relief under SEC MC No. 4-2020 to defer the adoption of *IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost) until December 31, 2020.

In December 2020, the SEC issued MC No. 34-2020, allowing the further deferral of the adoption of provisions (a) and (b) above of *PIC Q&A 2018-12* and the IFRIC Agenda Decision on Borrowing Cost, for another other (three) 3 years or until December 31, 2023.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the section below under Adoption of New and Amended Accounting Standards and Interpretation.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by Philippine Interpretations Committee (PIC).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020.

A subsidiary is an entity which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or 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 Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expense 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. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements include the financial statements of the Parent Company and the following wholly-owned subsidiaries. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	% of Ownership
Sta. Lucia Homes, Inc. (SLHI)	100.00%
Santalucia Ventures, Inc. (SVI)	100.00%

Adoption of New and Amended Accounting Standards and Interpretation

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and PAS which became effective beginning January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature and impact of each new standard and amendment are disclosed below.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  These amendments do not have a significant impact on 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 provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

  These amendments do not have a significant impact on the Group.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;

- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

This amendment is not applicable to the Group as there are no rent concessions granted to the Group as a lessee.

- *Adoption of PIC Q&A 2020-03, Q&A No. 2018-12-D: STEP 3- On the accounting of the difference when the percentage of completion is ahead of the buyer's payment*

PIC Q&A 2020-03 was issued by the PIC on September 30, 2020. The latter aims to provide an additional option to the preparers of financial statements to present as receivables, the difference between the POC and the buyer's payment, with the POC being ahead. This PIC Q&A is consistent with the PIC guidance issued to the real estate industry in September 2019.

The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since it has previously adopted the additional guidance issued by the PIC in September 2019.

Future Changes in Accounting Policy
The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:
- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and applied retrospectively. However, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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, 2023, with comparative figures required. Early application is permitted.

The new standard is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is currently assessing the impact of adopting these amendments.

- *Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC MC Nos. 14-2018 and 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

  A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

		Deferral Period
a.	Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b.	Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
c.	Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
d.	Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

  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 on the financial statements had the concerned application guidelines 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.

  In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

  - PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
  - PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

  After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. The Group has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell.

b. Had the Group accounted for the revenue from air-conditioning services, CUSA and handling services as principal, this would have resulted in the gross presentation of the related revenue, costs and expenses. Currently, the related revenue is presented net of costs and expenses. There is no impact on opening retained earnings, income and expense and the related balance sheet accounts.

The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)*

  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 paragraph 35(c) of PFRS 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 PAS 23, *Borrowing Costs*, considering that these inventories are ready for their intended 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 MC No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, 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 in restatement of prior year financial statements. A restatement would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and the opening balance of retained earnings. The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

As prescribed by SEC MC No. 34-2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferrals will impact the Group's financial reporting during the period of deferral as follows:

a. The financial statements are not considered to be in accordance with PFRS and should specify in the "Basis of Preparation of the Financial Statements" section of the financial statements that the accounting framework is:

   PFRS, as modified by the application of the following financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic:

   1) *Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04)*
   2) *Application of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods under PAS 23*

b. The Auditor's report will:

   i. reflect in the Opinion paragraph that the financial statements are prepared in accordance with the compliance framework described in the notes to the financial statements; and
   ii. include an Emphasis of Matter paragraph to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

Upon full adoption of the above deferred guidance, the accounting policies will have to be applied using full retrospective approach following the guidance under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

- *Deferral of PIC Q&A 2018-14, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

  On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

  On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

  The Group availed of the SEC relief to defer of adoption of this PIC Q&A until December 31, 2020. Currently, the Group records the repossessed inventory at its fair value less cost to sell and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss. The Group has opted to implement approach 1 in its accounting for sales cancellation which is the repossessed property is recognized at its fair value less cost to repossess.

Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current and 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 twelve (12) months after the reporting period; or
- cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (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 twelve (12) months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred 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 (3) months or less from dates of placement and that are subject to insignificant risk of changes in value.

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 nonfinancial 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.

For purposes of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy.

Financial Instruments

Date of recognition

The Group recognizes financial assets and liabilities in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Recognition and Measurement of 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 of financial instruments

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at fair value through profit or loss (FVTPL).

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (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.

As of December 31, 2020 and 2019, the Group's financial assets comprise of financial assets at amortized cost and financial assets at FVOCI.

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
Financial assets are measured at amortized cost if both of the following conditions are met:
- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument 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 costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the consolidated statement of comprehensive income.

The Group classified cash and cash equivalents, installment contracts receivables and other receivables, advances to agents and brokers under "Other current assets", and deposits in escrow and refundable security deposits under "Other noncurrent assets" as financial assets at amortized cost (see Notes 5, 6 and 8).

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive 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.

The Group does not have debt instruments at fair value through OCI.

Financial assets at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI 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 comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets at fair value through OCI includes investments in quoted and unquoted equity instruments (see Note 9).

Dividends earned on holding these equity instruments are recognized in the consolidated statement of comprehensive income when the Group's right to receive the dividends is established in accordance with PFRS 15, unless the dividends clearly represent recovery of a part of the cost of the investment.

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 comprehensive income.

As of December 31, 2020 and 2019, the Group does not have financial assets at FVTPL.

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 recognizes 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.

Reclassification of financial assets
The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted. A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

<u>Modification of financial assets</u>
The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of comprehensive income.

<u>Impairment of Financial Assets</u>
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.

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

For other financial assets such as accrued receivable, receivable from related parties and advances to other companies, 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, 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 lifetime ECL. The Group uses the ratings from the Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 120 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.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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.

Directly attributable transaction costs are documentary stamp tax, underwriting and selling fees, regulatory filing fee and other fees.

As of December 31, 2020 and 2019, the Group's other financial liabilities consist of accounts and other payables (excluding statutory liabilities), short-term debt and long-term debt.

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 entered into by the Group 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 comprehensive income.

Only if the criteria in PFRS 9 are satisfied, the designation of financial liabilities at fair value through profit or loss at the initial date of recognition is allowed. The Group has not designated any financial liability as at fair value through profit or loss.

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

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

This category generally applies to the Group's accounts and other payables (excluding statutory liabilities), short-term debt and long-term debt.

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 comprehensive income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount 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. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the consolidated statement of financial position.

Real Estate Inventories
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation or will be occupied by the Group, is held as inventory and is measured at the lower of cost and net realizable value (NRV). In few cases of buyer defaults, the Group can repossess the properties and held it for sale in the ordinary course of business at the prevailing market price. The repossessed properties are included in the "Real Estate Inventories" account in the consolidated statement of financial position. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts unless these exceed the recoverable values.

Cost includes the purchase price of land and those costs incurred for the development and improvement of the properties such as amounts paid to contractors for construction, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, 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 of completion and the estimated costs of sale.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, and insurance.

With the exception of commission, which is amortized using percentage of completion, other prepaid expenses are amortized as incurred.

Refundable Deposits
Refundable deposits are measured initially at fair value. After initial recognition, refundable deposits are subsequently measured at amortized cost using the effective interest method.

The difference between the cash received and its fair value is deferred and amortized using the straight-line method under the "Real estate sales" account in the consolidated statement of comprehensive income.

Non-refundable deposits that are applicable against costs of services incurred or goods delivered are measured at fair value.

Other Current Assets
Other current assets are carried at cost and pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. These include advances to contractors and lot owners which are carried at costs less impairment losses, if any.

Investment Properties
Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and that are not occupied by the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction in progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time that the relevant assets are available for their intended use.

Depreciation of investment properties is computed using the straight-line method over the estimated useful lives of the assets and included under "Costs of Rental Income" in the consolidated statement of comprehensive income. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties follow:

	Years
Land improvements	40
Buildings and improvements	40
Machinery and equipment	5 to 10

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

Transfers are made to investment properties 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 property 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.

The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group engages independent valuation specialist to assess the fair values as at December 31, 2019. The Group's investment properties consist of land and building pertaining to properties, mall and office properties. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the assets are put into operational use and is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Office tools and equipment	3 to 5
Transportation equipment	5
Furniture and fixtures	3 to 5
Software	3 to 5

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

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation and amortization is charged against current operations.

Interests in Joint Development Projects

Interests in joint development projects represent one or more assets, usually in the form of real estate development, contributed to, or acquired for the purpose of the joint development and dedicated to the purposes of the joint operations. The assets are used to obtain benefits for the operators. Each operator may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint operations do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the operators themselves. Each operator has control over its share of future economic benefits through its share of the jointly operations. Contribution of the Group to the joint operations are included in real estate inventories.

Impairment of Nonfinancial Assets

This accounting policy relates to the other assets, inventories, interests in joint development projects, investment properties and property and equipment.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. 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 comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge 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.

Customers' Deposits
Customers' deposits represent payment received from customer accounts which have not yet reached the minimum required percentage for recording real estate sale transaction. When the level of required payment is reached, sales are recognized, and these deposits and down payments will be applied against the related receivable.

Under the percentage of completion method of recognizing sales for real estate, when a real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, cash received from customers are recorded under "Customers' Deposits" account in the consolidated statement of financial position. It is also recognized when the cash received from customers is greater than the receivable from customers under percentage of completion. Subsequently, customers' deposits are applied against receivable from customers as a result of the recognition of sales through completion of the project.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if 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 the taxation authority is included as part of "Other current assets" in the consolidated statement of financial position.

Pension
The Group has a funded, noncontributory defined benefit pension plan covering substantially all of its qualified employees. The Group's pension 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 (PUC) method.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements 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 profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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 high quality corporate 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 profit or loss.

Remeasurements 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 OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. 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).

The 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.

Equity

The Group records capital stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds and charged to "Additional Paid-in Capital" (APIC) account. If APIC is not sufficient, the excess is charged against retained earnings.

Retained earnings represent accumulated earnings of the Group less dividends declared. The individual accumulated retained earnings of the subsidiaries are available for dividend declaration when they are declared by the subsidiaries as approved by their respective BOD.

Treasury Shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in the profit and loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Revenue from Contract with Customers

The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. 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 the principal in its revenue arrangements, except for the provisioning of water and electricity in its mall retail spaces and 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.

Real estate sales
The Group derives its real estate revenue from sale of lots, house and lot 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.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's project development engineers and project managers. This is based on the quarterly project accomplishment report prepared by the Group's project development engineers as approved by the project managers which integrates the surveys of performance as of quarter end of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contracts receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

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

In case of sales cancellation due to the default of the buyers, the Group derecognizes the outstanding balance of contract asset or installment contracts receivable and recognize the repossessed property at fair value less cost to repossess, with any difference taken to profit or loss.

Cost of real estate sales
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as 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.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which changes are determined.

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.

Marketing fees, management fees from administration and property management are recognized as expense when services are incurred.

Costs to obtain contract (Commission expense)
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 "Selling and administrative expense" account in the consolidated statement of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract Balances
Installment contracts receivables
Installment contracts receivables represent 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. Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Contract fulfillment assets
Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable. The Group's contract fulfillment assets pertain to land acquisition costs.

Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization of contract fulfillment assets and cost to obtain a contract is included within "Cost of real estate sales" and "Selling and administrative expense", respectively.

A contract fulfillment asset or 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.

At each reporting date, the Group determines whether there is an indication that the contract fulfillment asset or capitalized cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Other Revenue and Income Recognition

Rental income

Rental income arising from operating leases on investment properties is recognized in the consolidated statement of comprehensive income as follows:

- Based on certain percentage of net income of operator after adjustments on shared expenses, as provided in the terms of the contract.
- Based on a straight-line basis over the term of the lease plus a certain percentage of sales of the tenants, as provided under the terms of the contract.

Interest income

Interest income is recognized as it accrues using the effective interest method.

Commission income

Commission income is recognized when services are rendered.

Dividend income

Dividend income is recognized when the Group's right to receive the payment is established.

Others

Other income is derived from processing the registration of properties of buyers, collection from surcharges and penalties for late payments which are recognized when services are rendered.

Other income also includes profit share in hotel operations which is derived from the Group's share in service income, net of operating expenses, from units in a specific property development which is being operated as a hotel by a third party. Income is recognized when earned.

Costs and Expenses

Costs and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of comprehensive income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Cost of real estate sales

Cost of real estate sales includes all direct materials, labor costs and incidental costs related to the construction of housing units.

Cost of rental income

Cost of rental income is mostly coming from depreciation, utilities and management fees. These are recognized as cost when incurred, except for depreciation which is recognized on a straight-line basis.

Cost of hotel operations

Cost of hotel operations pertains to expenses incurred in relation to sale of goods and rendering of services. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Selling and administrative expenses

Selling and administrative expenses are expenses that are incurred in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, property and equipment and investment properties. Selling and administrative expenses are costs incurred to sell real estate inventories, which include commissions, advertising and promotions, among others and costs of administering the business.

Expenses are recognized in the consolidated statement of comprehensive income as incurred based on the amounts paid or payable.

Borrowing Costs

Interest and other financing costs incurred during the construction period on borrowings used to finance the acquisition and construction of a qualifying asset are capitalized as to the appropriate asset accounts (included in "Investment Properties" account in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

Leases effective January 1, 2019

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

Group as lessee - Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office space (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). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted on a straight-line basis over the lease term and is included in revenue in the consolidated statement of comprehensive income due to its operating nature. 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 lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease modification

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term. In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease and the remaining lease payments will be recognized as income on a straight-line basis over the remaining lease term.

In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

Leases prior to January 1, 2019
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the 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).

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

Income Taxes
Current tax
Current 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 have been enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating losses carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carry forward benefits of unused tax credits from excess MCIT over RCIT credits and unexpired NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and 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 reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are credited to or charged against income for the period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Basic and Diluted Earnings Per Share

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount. As of December 31, 2020 and 2019, the Group has no potential diluted common shares.

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 22 to the consolidated financial statements.

Provisions

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. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events After the Reporting Date

Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group's financial position at the reporting date (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.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in conformity with PFRSs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Real estate revenue recognition

Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation application, buyer's ledger and official receipts evidencing collections from buyer, 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 collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group considers the significance of the buyer's initial payments (buyer's equity) in relation to the total contract price. Collectability is also assessed by considering factors such as past history with buyers, age of installment contracts receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyer's equity before commencing revenue recognition.

Revenue recognition method and measure of progress

The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 20% would demonstrate the buyer's commitment to pay.

The Group has determined that the output method used in measuring the progress of the performance obligation (i.e. percentage of completion) faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria - for installment contracts receivables, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's ECL calculation.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The Group has considered the impact of COVID-19 pandemic and to the extent applicable revised its assumptions in determining macroeconomic variables and loss rates in the ECL computation. The changes in the gross carrying amounts of installment contracts receivables and contract assets during the year and impact of COVID-19 did not materially affect the Group's allowance for ECLs.

Distinction between real estate inventories and investment properties
The Group determines whether a property is classified as investment property or real estate inventories as follows:

Investment property comprises land and buildings (principally offices, commercial and retail property) 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. Transfers are made to investment properties 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.

Real estate inventories comprises property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

The Group's operating lease contracts are accounted for as cancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including the economic consequence to the lessee.

Recognizing deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profit to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

The Group did not recognize deferred tax assets from NOLCO amounting to ₱0.06 million and ₱0.05 million in 2020 and 2019 for the subsidiaries, respectively (see Note 24). The unrecognized deferred tax asset from NOLCO is not expected to be utilized by the subsidiaries as management assessed that there is no available taxable income against which the deferred income tax asset can be utilized.

Determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 122 of PAS 1, Presentation of Financial Statements
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 income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

Assessment on whether lease concessions granted constitute a lease modification
In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees qualify as lease modifications since the terms and conditions under the corresponding lease contracts have been modified by the waiver and therefore, is a lease modification under PFRS 16. The Group accounted these lease concessions as a new lease from the effective date of the modification and recognized remaining lease payments on a straight-line basis over the remaining lease term in the consolidated statement of comprehensive income for the year ended December 31, 2020.

The rent concessions granted by the Group for the year ended December 31, 2020 amounted to ₱166.54 million.

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition and measure of progress for real estate sales
The Group's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group concluded that revenue from real estate sales is to be recognized over time using the output method. The Group's revenue from real estate sales recognized is based on physical proportion of work done on the real estate project which requires technical determination by the Group's project development engineers and project managers. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by project development engineers.

Following the pattern of real estate revenue recognition, the cost to obtain a contract (e.g. commission), is determined using the percentage of completion. In view of the continuing community quarantines and restricted mobility, the progress of the Group's performance obligation is adversely affected which resulted to lower percentage-of-completion in 2020.

Real estate sales amounted to ₱5,383.08 million, ₱5,871.50 million and ₱2,428.31 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 4).

Evaluation of impairment of receivables and contract assets
The Group uses a provision matrix to calculate ECLs for trade receivables other than installment contracts receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group uses vintage analysis approach to calculate ECLs for installment contracts receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (e.g., foreign exchange growth rate and bank lending rates) 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 Group has considered the impact of COVID-19 pandemic and to the extent applicable revised its assumptions in determining macroeconomic variables and loss rates in the ECL computation. The changes in the gross carrying amounts of installment contracts receivables and contract assets during the year and impact of COVID-19 did not materially affect the Group's allowance for ECLs.

The information about the ECLs on the Group's installment contracts receivables and contract assets is disclosed in Note 6.

The carrying values of installment contracts receivables and contract assets amounted to ₱2,612.15 million and ₱2,847.88 million, respectively, as of December 31, 2020 and ₱1,293.14 million and ₱2,860.54 million, respectively, as of December 31, 2019 (see Notes 4 and 6).

The Group recognized provision for expected credit losses on trade receivables amounting to ₱1.35 million, ₱1.07 million and ₱1.39 million in 2020, 2019 and 2018, respectively.

Evaluation of net realizable value of inventories
Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the real estate inventories. In determining the recoverability of the inventories, management considers whether those inventories are slow or non-moving or if their selling prices have declined in comparison to the cost. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to lower sales in 2020. In evaluating NRV, recent market conditions and current market prices have been considered. Refer to Note 7 for the related balances.

There was no provision for impairment nor reversal of impairment in 2020, 2019 and 2018.

Evaluation of impairment of other nonfinancial assets (except inventories)
The Group reviews other assets, investment properties and property and equipment for impairment in value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset,

plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's fair value less costs to sell, except for assets where value in use computation is applied.

The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the asset. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs (Notes 8, 10 and 11).

The carrying values of the Group's nonfinancial assets as of December 31, 2020 and 2019 are disclosed below.

	2020	2019
Investment properties (Note 10)	**₱5,712,412,564**	₱5,597,417,842
Property and equipment (Note 11)	**54,853,789**	58,903,900
Other current assets* (Note 8)	**5,399,332,516**	4,715,088,037
Other noncurrent assets** (Note 8)	**443,556,896**	373,265,033
	₱11,610,155,765	₱10,744,674,812

**excluding advances to agents and brokers.*
***excluding deposits in escrow and refundable security deposits.*

The Group has determined that COVID-19 pandemic has no impact and is not considered as an impairment indicator in the impairment assessment of nonfinancial assets. There was no provision for impairment nor reversal of impairment in 2020, 2019 and 2018 (see Notes 8, 10 and 11).

Estimating pension liabilities and other retirement benefits
The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 20 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on 1994 Group Annuity Mortality Table and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions could materially affect pension obligations. Refer to Note 20 for the related balances.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded or disclosed in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. See Note 26 for the related balances.

4. Revenue from Contracts with Customers

Disaggregated Revenue Information

The Group derives revenue from the transfer of goods and services over time and at a point in time, respectively, in different product types. The Group's disaggregation of each source of revenue from contracts with customers are presented below:

	2020	2019	2018
Real estate sales by product			
Lot only	**₱4,362,693,042**	₱5,322,051,158	₱1,959,255,620
Condominium units	**1,020,386,498**	549,445,621	469,052,237
Total revenue from contracts with customers	**₱5,383,079,540**	₱5,871,496,779	₱2,428,307,857
Geographical Location			
Luzon	**₱4,587,867,726**	₱4,676,128,465	₱1,640,424,023
Visayas	**412,114,351**	758,037,244	395,358,341
Mindanao	**383,097,463**	437,331,070	392,525,493
Total	**₱5,383,079,540**	₱5,871,496,779	₱2,428,307,857

The Group's real estate sales are revenue from contracts with customers which are recognized over time.

Contract balances are as follows:

December 31, 2020

	Current	**Noncurrent**	**Total**
Installment contracts receivables (Note 6)	**₱1,598,080,782**	**₱1,014,073,112**	**₱2,612,153,894**
Contract assets (Note 6)	**1,880,380,969**	**967,495,032**	**2,847,876,001**
Contract liabilities (Notes 6 and 13)	**3,591,662,052**	**379,516,810**	**3,971,178,862**

December 31, 2019

	Current	Noncurrent	Total
Installment contracts receivables (Note 6)	₱745,974,867	₱547,168,163	₱1,293,143,030
Contract assets (Note 6)	1,618,898,886	1,241,636,221	2,860,535,107
Contract liabilities (Notes 6 and 13)	3,039,228,284	418,387,376	3,457,615,660

In September 2019, the PIC issued additional guidance to the real estate industry on the implementation of PFRS 15, including guidance on the recording of the difference between the consideration received from the customer and the transferred goods to the customer (i.e., measured based on percentage-of-completion). The PIC allowed real estate companies to recognize the difference as either a contract asset or unbilled receivable. If presented as a contract asset, the disclosures required under PFRS 15 should be complied with. Otherwise, the disclosures required under PFRS 9 should be provided.

The Group opted to retain its existing policy of recording the difference between the consideration received from the customer and the transferred goods to the customer as contract assets or contract liabilities.

Installment contracts receivables from real estate sales are collectible in equal monthly principal installments with various terms up to ten (10) years. Interest rates per annum range from 14% to 16%. Titles to the residential units sold are transferred to customers upon full payment of the contract price.

Contract assets represent the right to consideration for assets already delivered by the Group in excess of the amount recognized as installment contracts receivables. Contract assets is reclassified to installment contracts receivables when monthly amortization of the customer is already due for collection.

Contract liabilities 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 services transferred by the Group based on percentage-of-completion. The movement in contract liabilities arise mainly from revenue recognition of completed performance obligations.

Set-out below is the amount of revenue recognized from:

	2020	2019
Amounts included in contract liabilities at the beginning of the year	**₱159,808,171**	₱205,197,531
Performance obligation satisfied in previous years	**1,582,120,704**	1,275,174,767

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 a real estate unit may cover either (a) a lot; and (b) condominium unit. There is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the reservation application and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include down payment of 10% to 20% of the contract price spread over a certain period (e.g., one to three months) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from one (1) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2020 and 2019 follows:

	2020	2019
Within one year	**₱2,188,930,153**	₱1,866,070,692
More than one year	**1,634,642,231**	1,526,923,242
	₱3,823,572,384	₱3,392,993,934

The remaining performance obligations expected to be recognized within one year and in more than one year relate to continuous development of the Group's real estate projects. The Group's subdivision lots are expected to be completed within 12 months, while the condominium units are expected to be completed within one to two years.

Rental agreements
The Group entered into lease agreements for its mall retail spaces and office spaces 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 settle within 7 to 20 days upon receipt of the bill. In case of delay in payments, a penalty of 3% to 36% per annum is charged for the amount due for the duration of delay. The lease arrangement would typically require a tenant to pay a security deposit equivalent to six (6) months rental to cover any defaults in payments, with the excess returned to the tenant.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group granted lease concession to its lessees. The concession varies depending on the type of the lessees that are either forced to close and those that remained operational and essential during the quarantine period. Likewise, common area usage and other charges were waived.

Cost to Obtain Contract
As at December 31, 2020 and 2019, the rollforward of the cost to obtain contract included in the other current assets is as follows (see Note 8):

	2020	2019
Balance at beginning of year	**₱183,845,963**	₱30,022,373
Additions	**687,455,976**	935,386,242
Amortization	**(674,265,092)**	(781,562,652)
Balance at end of year	**₱197,036,847**	₱183,845,963

It is the Group's accounting policy, as set out in Note 2, that if a contract or specific performance obligation has exhibited marginal profitability or other indicators of impairment, judgement is applied to ascertain whether the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.

5. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱1,217,500**	₱1,343,336
Cash in banks	**911,066,883**	902,024,815
Cash equivalents	**30,536,120**	–
	₱942,820,503	₱903,368,151

Cash in banks earns interest at the prevailing bank deposit rates.

Cash equivalents include short-term placement made during the year for period of three months based on the immediate cash requirements of the Group, and earn annual interest of 1.00% and 0.15% to 0.25% in 2020 and 2019, respectively.

Interest income earned from cash in banks and cash equivalents amounted to ₱4.25 million, ₱3.61 million, and ₱11.95 million in 2020, 2019, and 2018, respectively (Note 16).

The Group has restricted cash in bank amounting ₱39.05 million and ₱37.08 million as of December 31, 2020 and 2019, respectively. This pertains to the cash deposited in an escrow trust account for socialized housing compliance and recorded under "Other noncurrent asset" in the statements of the financial position (see Note 8).

6. Receivables and Contract Assets

This account consists of:

	2020	2019
Installment contracts receivable:		
Subdivision land	**₱1,880,601,124**	₱937,859,043
Condominium units	**731,552,770**	355,283,987
Receivable from related parties (Note 19):		
Trade	**659,175,564**	549,860,022
Non-trade	**921,832**	721,832
Advances to joint development operations (Note 21)	**356,151,516**	439,560,326
Accrued interest receivable	**618,011,413**	484,850,509
Advances to officers, employees and agents (Note 19)	**116,992,148**	111,454,568
Receivable from tenants	**97,254,072**	62,368,861
Commission receivable	**74,038,309**	21,033,399
Dividend receivable (Note 9)	**20,082,111**	14,566,771
Others	**22,169,773**	18,212,856
	4,576,950,632	2,995,772,174
Less unamortized discount	**50,029,289**	62,824,592
	4,526,921,343	2,932,947,582
Less allowance for expected credit losses	**18,252,713**	16,902,639
	4,508,668,630	2,916,044,943
Less noncurrent installment contracts receivables	**1,014,073,112**	547,168,163
	₱3,494,595,518	₱2,368,876,780

Contract balances as of December 31 are as follows:

2020

	Current	**Noncurrent**	**Total**
Installment contracts receivables	**₱1,598,080,782**	**₱1,014,073,112**	**₱2,612,153,894**
Contract assets	**1,880,380,969**	**967,495,032**	**2,847,876,001**
Contract liabilities	**3,591,662,052**	**379,516,810**	**3,971,178,862**

2019

	Current	Noncurrent	Total
Installment contracts receivables	₱745,974,867	₱547,168,163	₱1,293,143,030
Contract assets	1,618,898,886	1,241,636,221	2,860,535,107
Contract liabilities	3,039,228,284	418,387,376	3,457,615,660

Installment contracts receivables represent the buyer's outstanding balance arising from real estate sales. These are collectible in equal monthly installments with various terms up to 10 years. These are carried at amortized cost. The corresponding titles to the subdivision land or condominium units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Annual interest rates on installment contracts receivables ranged from 14% to 16%. The total interest income recognized on these interest-bearing installment contracts receivables and contract assets amounted to ₱360.19 million, ₱518.10 million, and ₱236.30 million in 2020, 2019 and 2018, respectively (Note 16).

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

In 2020, the Group, provided reliefs under Bayanihan 1 Act and Bayanihan 2 Act, which offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the restructuring of existing receivables including extension of payment terms.

Based on the Group's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets.

As of December 31, 2020 and 2019, receivables from sales of subdivision land and condominium units with a nominal amount aggregated ₱2,034.60 million and ₱1,230.32 million, respectively. The fair value of the receivables was obtained by discounting future cash flows using the applicable annual rates of similar types of instruments ranging from 5.08% to 7.54% and 6.25% to 8.16% in 2020 and 2019, respectively.

Movement in the unamortized discount arising from noninterest-bearing installment contracts receivables follow:

	2020	2019
Balance at beginning of year	**₱62,824,592**	₱32,251,195
Additions	**102,556,784**	155,869,312
Accretion from unamortized discount (Note 16)	**(115,352,087)**	(125,295,915)
Balance at end of year	**₱50,029,289**	₱62,824,592

Allowance for expected credit losses pertain to trade receivables. Movement follows:

	2020	2019
Balance at beginning of year	**₱16,902,639**	₱15,835,963
Provisions	**1,350,074**	1,066,676
Balance at end of year	**₱18,252,713**	₱16,902,639

Trade receivables from related parties include advances and uncollected rental income from related parties (Note 19). These are noninterest-bearing, due and demandable.

Non-trade receivables from related parties include a rescission of the assignment of land rights (Note 15), sale of lots and assumption of loan of the Ultimate Parent Company (Note 19). These are noninterest-bearing, due and demandable.

Advances to joint development operations pertain to cash advances to land owners or joint development operators for the property or land that will be developed. These advances are liquidated by the joint development operators once the purpose for which the advances were made had been accomplished and accordingly will be offset to the related liability to joint development operators. These are noninterest-bearing, due and demandable.

Accrued interest receivable pertains to interest on installment contracts receivables and contract assets already earned but not yet received.

Advances to officers, employees and agents pertain to loans granted to the Group's employees which are collectible through salary deduction, are noninterest-bearing and have various maturity dates. This also includes advances for liquidation pertaining to cash advances to custodians for site costs and administrative expenses and advances to sales agents for marketing activities which are replenished upon liquidation.

Receivable from tenants represent the outstanding receivable arising from the lease of commercial spaces relating to the Group's mall operations and are collectible within 30 days from billing date.

Commission receivable represents the uncollected and unbilled commission revenue for real estate sales services rendered to outside parties. This is equivalent to a certain percentage of the total contract price of properties sold.

Dividend receivable pertains to cash dividend declared from FVOCI which are not yet received as of date.

Other receivables primarily represent the Group's uncollected development income from the Summerhill Executive Phase 4 project located in Antipolo, Rizal.

7. Real Estate Inventories

A summary of the movement in inventory is set out below:

	2020	2019
Balance at January 1	**₱21,870,084,999**	₱18,303,658,167
Construction and development costs incurred	**2,922,110,458**	2,796,845,602
Land acquired during the year	**1,906,903,486**	3,525,913,178
Repossessed real estate inventories	**150,237,230**	125,344,396
Capitalized borrowing costs	**107,038,032**	147,244,381
Transfers to investment property (Notes 10 and 28)	**–**	(348,141,280)
Costs of real estate sales	**(2,025,251,641)**	(2,680,779,445)
Balance at December 31	**₱24,931,122,564**	₱21,870,084,999

The real estate inventories are carried at lower of cost and net realizable value (NRV). There are no inventories and investment properties recorded at lower than cost.

The Group acquired various lands for development amounting ₱1,906.90 million and ₱3,525.91 million in 2020 and 2019, respectively. Initial stages of development are underway on these properties with a view to sell as subdivision, condominium or commercial space.

Repossessed real estate inventories arising from cancellation of sales due to buyers' default in payment represent previously sold lot inventories which are recorded back to inventories. These are recorded at fair value less cost to sell and cost to complete at the time of transfer and are held for sale in the ordinary course of business. Gain on repossession of real estate inventories amounted to ₱94.28 million, ₱29.60 million and ₱34.90 million in 2020, 2019 and 2018, respectively (Note 17).

Borrowing costs capitalized as part of real estate inventories, where activities necessary to prepare it for its intended use is ongoing, amounted to ₱107.04 million, ₱147.24 million and ₱98.82 million for the years ended December 31, 2020, 2019 and 2018, respectively (Note 18). The capitalization rate used to determine the borrowing cost eligible for capitalization is 6.73%, 7.36% and 6.47% in 2020, 2019 and 2018, respectively.

Real estate inventories recognized as cost of sales amounted to ₱2,025.25 million in 2020, ₱2,680.78 million in 2019 and ₱959.03 million in 2018 and are included as "Costs of real estate sales" in the consolidated statements of comprehensive income. Cost of real estate sales includes acquisition cost of land, amount paid to contractors, development costs and other costs attributable to bringing the real estate inventories to its intended condition.

There was no provision for nor reversal of impairment on real estate inventories in 2020, 2019 and 2018.

No inventories were pledged as collateral to borrowings of the Group as of December 31, 2020 and 2019.

8. Other Assets

This account consists of:

	2020	2019
Advances to contractors	**₱3,681,779,492**	₱3,291,063,731
Advances to lot owners	**491,350,734**	318,610,953
Prepaid commission (Note 4)	**964,410,638**	920,308,655
Input VAT - net	**343,404,146**	271,384,522
Prepaid taxes	**233,929,351**	220,724,285
Security deposits	**82,676,019**	71,770,937
Advances to agents and brokers	**1,656,145**	561,996
Others	**167,062,254**	103,340,548
	5,966,268,779	5,197,765,627
Less noncurrent portion of:		
Advances to contractors	**316,988,273**	289,958,269
Prepaid commission	**126,568,623**	83,306,764
Security deposits	**82,676,019**	71,770,937
Deposits in escrow (Note 5)	**39,047,203**	37,079,624
	₱5,400,988,661	₱4,715,650,033

Advances to contractors represent payments made for the development and construction of real estate inventories and investment properties. The advances will be recouped against contractors' billings.

Advances to lot owners consist of advance payments to land owners which will be applied against the selling price of the real properties that will be acquired. The application is expected to occur within 12 months after the reporting date.

Prepaid commission pertains to payments to agents for sales commission on inventories that are not yet recognized as sales during the year. These are recorded as contract cost when paid. Contract cost is amortized using the percentage of completion method consistent with the measure of progress for revenue recognition.

In 2020, the Group reclassified prepaid commission and deposits in escrow previously presented under "Other current assets" to "Other noncurrent assets" amounting to ₱83.31 million and ₱37.08 million, respectively as of December 31, 2019. The amount was reclassified to conform with the 2020 financial statement presentation.

Input VAT represents VAT on purchase of goods and services. This is presented net of output VAT. The remaining balance is recoverable in future periods.

Prepaid taxes pertain to creditable withholding taxes to be applied against future income tax payable and prepayments for registration of acquired lots.

Security deposits pertain to refundable deposits for the electrical services or upgrade of electrical structures as necessary for every new project of the Group.

Advances to agents and brokers pertain to unliquidated advances to operate branch offices within and outside the Philippines. These advances are liquidated within one year from the dates the advances were made.

Others consist mainly of deposits in escrow, prepayments related to mall operations and security deposits for short-term leases, among others.

9. Financial Assets at Fair Value through OCI

Financial assets at FVOCI consists of investments in:

	2020	2019
Investment at cost	₱456,755,748	₱456,755,748
Net unrealized gain	364,692,477	491,419,787
At end of year	₱821,448,225	₱948,175,535

Movement in the investment at cost follows:

	2020	2019
Balance at beginning of year	₱456,755,748	₱416,268,406
Additions	–	40,487,342
Balance at end of year	₱456,755,748	₱456,755,748

Movement in unrealized gain reflected in the other comprehensive income follows:

	2020	2019
Balance at beginning of year	₱491,419,787	₱568,768,194
Fair value change during the year	(126,727,310)	(77,348,407)
Balance at end of year	₱364,692,477	₱491,419,787

The following table provides the fair value hierarchy of the Group's financial assets at FVOCI which are measured at fair value as of December 31, 2020 and 2019:

December 31, 2020

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:					
Quoted					
Gaming	December 31, 2020	₱592,171,231	₱592,171,231	₱–	₱–
Unquoted					
Real estate	December 31, 2020	229,276,994	–	–	229,276,994
		₱821,448,225	₱592,171,231	₱–	₱229,276,994

December 31, 2019

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:					
Quoted					
Gaming	December 31, 2019	₱725,304,769	₱725,304,769	₱–	₱–
Unquoted					
Real estate	December 31, 2019	222,870,766	–	–	222,870,766
		₱948,175,535	₱725,304,769	₱–	₱222,870,766

Dividends earned from financial assets at FVOCI amounted to ₱9.20 million, ₱5.66 million and ₱7.16 million in 2020, 2019 and 2018, respectively.

10. Investment Properties

The rollforward analyses of this account follow:

	2020					
	Land	**Land Improvements**	**Buildings and Improvements**	**Machinery and Equipment**	**Construction in Progress**	**Total**
Cost						
Balances at January 1	**₱1,802,529,188**	**₱44,259,000**	**₱4,096,405,938**	**₱412,409,000**	**₱697,531,959**	**₱7,053,135,085**
Additions	–	–	**13,255,943**	–	**225,533,142**	**238,789,085**
Transfer	–	–	**896,170,625**	–	**(896,170,625)**	–
Balances at December 31	**1,802,529,188**	**44,259,000**	**5,005,832,506**	**412,409,000**	**26,894,476**	**7,291,924,170**
Accumulated Depreciation						
Balances at January 1	–	**13,277,702**	**1,030,030,541**	**412,409,000**	–	**1,455,717,243**
Depreciation (Note 17)	–	**1,106,475**	**122,687,888**	–	–	**123,794,363**
Balances at December 31	–	**14,384,177**	**1,152,718,429**	**412,409,000**	–	**1,579,511,606**
Net Book Value	**₱1,802,529,188**	**₱29,874,823**	**₱3,853,114,077**	**₱–**	**₱26,894,476**	**₱5,712,412,564**

	2019					
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
Cost						
Balances at January 1	₱1,766,045,000	₱44,259,000	₱3,860,643,218	₱412,409,000	₱404,157,132	₱6,487,513,350
Additions	–	–	14,839,310	–	202,641,145	217,480,455
Transfers from inventory (Notes 7 and 28)	36,484,188	–	220,923,410	–	90,733,682	348,141,280
Balances at December 31	1,802,529,188	44,259,000	4,096,405,938	412,409,000	697,531,959	7,053,135,085
Accumulated Depreciation						
Balances at January 1	–	12,171,227	908,449,561	412,409,000	–	1,333,029,788
Depreciation (Note 17)	–	1,106,475	121,580,980	–	–	122,687,455
Balances at December 31	–	13,277,702	1,030,030,541	412,409,000	–	1,455,717,243
Net Book Value	₱1,802,529,188	₱30,981,298	₱3,066,375,397	₱–	₱697,531,959	₱5,597,417,842

The construction in progress represents capitalized costs arising from the construction of the Parent Company's mall project that is located in Panacan, Davao City. The expected completion date of Ponte Verde Mall is on July 31, 2024. In 2020, the transfer from construction in progress to building and improvements represents the completion of the Sta. Lucia Business Center that is located in Cainta, Rizal.

Depreciation expense recognized as costs of rental income amounted to ₱105.63 million, ₱122.69 million, and ₱110.63 million in 2020, 2019 and 2018, respectively (Note 17).

In 2019, the transfers from inventory represent several condominium units from a number of real estate projects that have been substantially leased to third parties starting 2019.

The aggregate fair value of the Group's investment properties amounted to ₱7,671.80 million and ₱7,563.00 million as of December 31, 2020 and 2019, respectively.

The latest valuation was obtained on December 31, 2019. The fair values were determined by independent professionally qualified appraisers. The fair value of the investment properties disclosed in the financial statements is categorized within Level 3 of the fair value hierarchy.

The fair value of investment properties was determined using the Income Approach based on discounted cash flow analysis as determined by independent professionally qualified appraisers. Under the Income Approach, all expected cash flow from the use of the asset were projected and discounted using the appropriate discount rate reflective of the market expectations.

Borrowing cost capitalized to investment properties in 2020, 2019 and 2018 amounted to ₱9.22 million, ₱18.76 million, and ₱2.86 million, respectively (Note 18). Capitalization rate used to determine the borrowing cost eligible for capitalization is 6.73%, 7.36%, and 6.47% in 2020, 2019 and 2018 respectively.

Rental income from investment properties amounted to ₱534.70 million, ₱898.29 million and ₱858.76 million in 2020, 2019 and 2018, respectively (Note 23). Cost of rental income from investment properties amounted to ₱368.36 million, ₱550.17 million, and ₱553.97 million in 2020, 2019 and 2018, respectively.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

There are no investment properties as of December 31, 2020 and 2019 that are pledged as security for liabilities of the Group.

11. Property and Equipment

The rollforward analysis of this account follow:

	2020				
	Office Tools and Equipment	Transportation Equipment	Furniture and Fixtures	Software	Total
Cost					
Balances at January 1	₱52,310,560	₱101,051,518	₱11,914,724	₱38,333,814	₱203,610,616
Additions	6,457,271	11,368,236	91,875	–	17,917,382
Balances at December 31	58,767,831	112,419,754	12,006,599	38,333,814	221,527,998
Accumulated Depreciation and Amortization					
Balances at January 1	19,670,414	78,229,515	8,495,604	38,311,183	144,706,716
Depreciation and amortization	7,808,736	13,100,728	1,035,398	22,631	21,967,493
Balances at December 31	27,479,150	91,330,243	9,531,002	38,333,814	166,674,209
Net Book Value	₱31,288,681	₱21,089,511	₱2,475,597	₱–	₱54,853,789

	2019				
	Office Tools and Equipment	Transportation Equipment	Furniture and Fixtures	Software	Total
Cost					
Balances at January 1	₱24,023,004	₱84,582,657	₱12,156,911	₱38,333,814	₱159,096,386
Additions	30,408,662	16,468,861	1,428,450	–	48,305,973
Disposals	(2,121,106)	–	(1,670,637)	–	(3,791,743)
Balances at December 31	52,310,560	101,051,518	11,914,724	38,333,814	203,610,616
Accumulated Depreciation and Amortization					
Balances at January 1	13,500,415	55,631,523	7,312,369	38,116,951	114,561,258
Depreciation and amortization	6,169,999	22,597,992	1,375,914	194,232	30,338,137
Disposals	–	–	(192,679)	–	(192,679)
Balances at December 31	19,670,414	78,229,515	8,495,604	38,311,183	144,706,716
Net Book Value	₱32,640,146	₱22,822,003	₱3,419,120	₱22,631	₱58,903,900

Depreciation expense pertaining to mall operations recognized as costs of rental income amounted to ₱18.48 million, ₱0.42 million, ₱0.41 million in 2020, 2019 and 2018, respectively (Note 17).

The Group has no restrictions on the realizability of its property and equipment and no contractual obligations to purchase, construct or develop property and equipment or for repairs, maintenance and enhancements.

As of December 31, 2020 and 2019, there are no property and equipment pledged to secure obligations of the Group.

12. Accounts and Other Payables

This account consists of:

	2020	2019
Contractors payable	**₱2,492,284,878**	₱1,999,834,799
Accounts payable	**965,359,014**	1,422,039,020
Payable to joint development operators	**810,780,367**	406,059,166
Unearned income	**307,496,448**	301,350,486
Security deposit	**154,569,146**	150,605,991
Interest payable (Note 14)	**145,325,402**	147,342,861
Retentions payable	**137,391,169**	118,078,977
Withholding tax payable	**92,138,519**	84,227,082
Taxes and licenses payable	**64,065,257**	34,203,865
Payable to related parties (Note 19)	**56,318,549**	38,605,523
Commission payable	**51,766,285**	20,029,601
Advances from shareholders (Note 19)	**16,346,102**	16,346,102
Accrued payables	**8,101,325**	27,374,304
Others	**105,845,858**	18,129,054
	₱5,407,788,319	₱4,784,226,831

Contractors payable arises from progress billings received from contractors' completed work on the development of projects. These are non-interest bearing and are normally settled on 30 to 60-day terms.

The Group entered into offsetting agreements with its suppliers whereby the Group sells subdivision land and condominium units in exchange for the delivery of the equivalent value of construction materials or services in accordance with specifications stated in the purchase orders and as stated in the bid proposal. The fair value of materials and services received to date is recorded under "Accounts Payable" until the criteria for revenue recognition are met. These liabilities under offsetting arrangements amounted to ₱773.10 million and ₱1,274.37 million as of December 31, 2020 and 2019, respectively.

Accounts payable also include amounts due to suppliers which are noninterest-bearing and are normally settled on 15 to 60-day terms.

Payable to joint development operators pertains to the share of the joint operators collected by the Group and is normally remitted within 90 days from the date of collection.

Unearned income refers to advanced collections from buyers for the processing of transfer of title that is to be performed upon full payment of the contract price and advanced collection from tenants of various investment properties.

Security deposit pertains to the security deposit from tenants of the Group's leased properties.

Interest payable pertains to interest incurred on bank loans (Note 14). These are settled on a quarterly basis.

Retentions payable represents amounts withheld from payments to contractors as a guaranty for any claims against them. These are non-interest bearing and will be remitted to contractors at the end of the contract work, generally within one year.

Withholding tax payable consists of taxes withheld for remittance to the government.

Taxes and licenses payable are amounts due to local government units for the processing of registration fees and licenses related to the Group's land acquisitions.

Commission payable represents amount payable and accrued to the Group's marketing arms and brokers/ agents.

Advances from shareholders are advances for the working capital on the Group's administrative expenses related to selling properties.

Accrued payables mostly include utilities pertaining to mall operations and unpaid salaries by the Group and are normally settled on 15 to 60-day terms.

Other payables primarily consist of professional fees, documentary stamp tax, unearned rent and mandatory employer's contributions which are noninterest-bearing and are normally settled within one year.

13. Contract Liabilities

This account consists of customers' reservation fees, down payments and excess of collections over the installment contracts receivables recognized under the percentage of completion method. The excess of collections is applied against the installment contracts receivables that will be recognized in the succeeding years.

The movement in contract liabilities is mainly due to revenue recognition of completed performance obligations. For the years ended December 31, 2020, 2019 and 2018, the amount of revenue from real estate sales includes amount previously included in contract liabilities amounting to ₱159.81 million, ₱205.20 million and ₱153.42 million, respectively.

As of December 31, 2020 and 2019, the contract liabilities account amounted to ₱3,971.18 million and ₱3,457.62 million, respectively. Details follow:

	2020	2019
Collections below equity threshold	**₱3,258,186,456**	₱2,580,805,733
Excess of collections over POC	**712,992,406**	876,809,927
	₱3,971,178,862	₱3,457,615,660

The Group requires buyers of the residential condominium units and subdivision lots to pay a minimum percentage of the total selling price before revenue recognition. These reservation fees and down payments will be applied against the installment contracts receivables when revenue recognition is met.

14. Short-term and Long-term Debt

Short-term debt

Below are the details of the short-term debt:

	2020	2019
Loans under revolving credit facility	**₱4,311,482,354**	₱2,202,700,000
Single payment short-term loan	**1,477,488,200**	978,488,200
Loans under notes facility agreement	**360,000,000**	340,000,000
	₱6,148,970,554	₱3,521,188,200

Loans under revolving credit facility agreement follow:

	2020	2019
Beginning balance	**₱2,202,700,000**	₱748,000,000
Availments	**5,418,481,687**	4,954,800,000
Payments	**(3,309,699,333)**	(3,500,100,000)
Ending balance	**₱4,311,482,354**	₱2,202,700,000

In 2020, the Group obtained various unsecured short-term loans amounting to ₱2,309.98 million from various financial institutions and qualified institutional buyers of securities arranged by Multinational Investment Bancorporation (MIB). These loans have maturity periods ranging from 3 to 6 months, with annual interest rates ranging from 3.25% to 5.92%. Of the total ₱2,309.98 million loans availed, ₱1,110.20 million were settled in 2020. As of December 31, 2020, the outstanding balance from these loans amounted to ₱1,199.78 million.

In March 2020, unsecured 3-months loans were borrowed from SLRDI amounting to ₱1,200.00 million with 5% annual interest rates (Note 19).

On June 29, 2020, the Group availed the credit facility from Maybank Philippines, Inc. - Trust Department amounting to ₱50.00 million with an annual interest rate of 5% for the initial period of ninety-one (91) days from the date hereof. This loan was renewed on December 28, 2020.

In August and November 2020, the Group also obtained unsecured short-term loans amounting to ₱720.00 million and ₱788.50 million, respectively from RCBC Trust and Investments Group for working capital purposes. These loans have maturity periods ranging from 3 to 6 months with annual interest rate of 3.25%. Of the total ₱1,508.50 million loans availed, ₱508.50 million was settled in 2020.

In August and December 2020, unsecured 3-months loans were borrowed from Bank of Commerce (BOC) amounting ₱100.00 million and ₱250.00 million, respectively, with 5.75% annual interest rates. Of the total ₱350.00 million loans availed, ₱100.00 million was settled in 2020.

In 2019, the Group obtained various unsecured short-term loans amounting to ₱4,704.80 million from various financial institutions and qualified institutional buyers of securities arranged by MIB. These have maturity periods ranging from 3 to 6 months, with annual interest rates ranging from 5.00% to 7.00%. Of the total ₱4,704.80 million loans availed, ₱1,290.00 million and ₱2,866.10 were settled in 2020 and 2019, respectively. The remaining balance on these loans amounted to ₱548.70 million and ₱1,838.70 million as of December 31, 2020 and 2019, respectively.

In November and December 2019, unsecured 3-months loans were borrowed from BOC amounting to ₱100.00 million and ₱150.00 million, respectively. These loans bear interest rates per annum of 5.75%. Of the total ₱250.00 million loans availed, all were settled in 2020. The remaining balance on these loans amounted to nil and ₱250.00 million as of December 31, 2020 and 2019, respectively.

In 2018, the Group obtained various unsecured short-term loans amounting to ₱1,423.00 million from various financial institutions and qualified institutional buyers of securities arranged by MIB. These have maturity periods ranging from 3 to 6 months, with annual interest rates ranging from 3.75% to 6.00%. Of the total ₱1,423.00 million loans availed, ₱10.00 million and ₱384.00 million were settled in 2020 and 2019, respectively. Total outstanding loans amounted to ₱43.00 million and ₱53.00 million as of as of December 31, 2020 and 2019, respectively.

In December 2018, the credit facility amounting to ₱250.00 million which bears annual interest rate of 6.00% was fully drawn during the same year. Of the total ₱250.00 million loans availed, all were settled in 2019.

In 2017, various unsecured short-term loans amounting to ₱2,194.00 million were obtained from various financial institutions and qualified institutional buyers of securities arranged by MIB. These have maturity periods ranging from 3 to 6 months, with annual interest rates ranging from 3.75% to 6.75%. Of the total ₱2,194.00 million loans availed, ₱41.00 million and ₱2,133.00 million were settled in 2020 and 2018, respectively. Total outstanding loans amounted to ₱20.00 million and ₱61.00 million as of December 31, 2020 and 2019, respectively.

Single payment short-term loan

The rollforward analyses of single payment short-term loan follow:

	2020	2019
Beginning balance	**₱978,488,200**	₱2,500,000,000
Availments	**725,000,000**	978,488,200
Payments	**(226,000,000)**	(2,500,000,000)
Ending balance	**₱1,477,488,200**	₱978,488,200

On March 13 and August 20, 2020, the Group borrowed 3-months unsecured loan from China Bank Corporation-Trust and Asset Management Group amounting to ₱500.00 million and ₱225.00 million, respectively, with an annual interest rate of 3.25%. Of the total ₱725.00 million loans availed, ₱225.00 million were settled in 2020.

On March 29, 2019, the Group borrowed a one-year unsecured loan from China Bank Corporation (CBC) amounting ₱978.49 million with annual interest rate of 7.63%. Of the total ₱978.49 million loan availed, ₱1.00 million was settled in 2020.

On October 25, 2018, the Group borrowed a six-month unsecured loan from RCBC amounting to ₱1,500.00 million with annual interest rate of 6.33%. The loan was paid on April 3, 2019.

On August 3 and August 14, 2017, the Group obtained a one-year unsecured loan from RCBC with annual interest rate of 4.25% totaling ₱2,000.00 million. Of the total ₱2,000.00 million loan availed, ₱1,000.00 million were settled in 2018. The remaining balance on this loan amounting to ₱1,000.00 million were paid on August 4, 2019.

Loans under notes facility agreement

Movement in the account is as follows:

	2020	2019
Beginning balance	**₱340,000,000**	₱360,000,000
Availments	**360,000,000**	–
Payments	**(340,000,000)**	(20,000,000)
Ending balance	**₱360,000,000**	₱340,000,000

On March 13, 2020, the Group availed 3-month unsecured loans from Banco De Oro (BDO) amounting to ₱360.00 million, with an interest rates ranging from 5.00% to 5.38% per annum. These loans were outstanding as of December 31, 2020.

In December 2018, the Group availed 3-month unsecured loans from BDO amounting to ₱260.00 million, with interest rates ranging from 4.88% to 6.50% per annum. Of the total ₱260.00 million loans availed, ₱240.00 million and ₱20.00 million were settled in 2020 and 2019, respectively.

In August 2018, the Group availed a 3-month unsecured loan from BDO amounting ₱100.00 million. This loan was renewed upon maturity and was paid in full in 2020.

Long-term debt

Below are the details of the long-term debt:

	2020	2019
Bonds		
Series B Bonds	**₱2,000,000,000**	₱2,000,000,000
Loans under term facility agreement	**9,071,000,000**	9,538,000,000
	11,071,000,000	11,538,000,000
Less current portion of:		
Bonds	**1,997,838,544**	–
Loans under term facility agreement	**1,029,679,877**	467,000,000
	8,043,481,579	11,071,000,000
Less: unamortized debt issuance cost	**41,172,324**	72,969,349
	₱8,002,309,255	₱10,998,030,651

The rollforward analyses of the long-term debt follow:

	2020	2019
Beginning balance	**₱11,538,000,000**	₱10,100,000,000
Availments	**–**	1,500,000,000
Payments	**(467,000,000)**	(62,000,000)
	₱11,071,000,000	₱11,538,000,000

In July and September 2019, 5-year unsecured loans were borrowed from Bank of the Philippines Islands amounting ₱1,000.00 million and ₱500.00 million, respectively. These loans bear interest rates of 6.15% per annum.

In 2018, unsecured one (1) 7-year Corporate Notes Facility was drawn by the Group from China Banking Corporation, Development Bank of the Philippines, China Bank Savings and Maybank Philippines, Inc. totaling ₱2,000.00 million, ₱2,000.00 million, ₱500.00 million and ₱500.00 million, respectively. The 7-year Corporate Notes Facility bears annual interest rates of 6.85% for the 1st to 2nd year and 7.80% for the 3rd to 7th year. Of the total ₱5,000.00 million corporates notes facility availed, ₱250.00 million was settled in 2020.

On June 22, 2017, the Group exercise its Early Redemption Option for the Series A unsecured Fixed-Rate Peso bonds in the amount of ₱2,000.00 million at the early redemption price of One Hundred and One Percent (101%) of the principal amount, plus all accrued interest on the bonds at the Early Redemption Option Date. This was paid using the proceeds from the ₱3,100.00 million, ten (10) year Corporate Note Facility with financial institutions, with a maximum of nineteen (19) investors, ₱2,100.00 million of which was availed by the Group during the first half in 2017. This note is intended for the strategic land banking, capital expenditures for ongoing and new projects, and general corporate purposes.

On October 27, 2017, the remaining unsecured ₱1,000.00 million of the ten (10) year Corporate Note Facility was drawn by the Group. The ten (10) year Corporate Note Facilities bear annual interest rates at 6.85% for the 1st to 5th year and 7.14% for the 6th to 10th year. Of the ₱3,100.00 million loans availed, ₱217.00 million and ₱62.00 million were settled in 2020 and 2019, respectively.

On December 22, 2015, the Group issued a total of ₱4,000.00 million Unsecured Fixed-Rated Peso bonds, broken down into ₱2,000.00 million Series A Bonds due in 2018 at a fixed rate equivalent to 6.73% per annum and a ₱2,000.00 million Series B Bonds due in 2021 at a fixed rate equivalent to 6.72% per annum. The Bonds have been rated by the Credit Rating and Investors Services Philippines Inc. on October 16, 2015. The bonds shall constitute the direct, unconditional, and unsecured obligations of the Issuer and shall at all times rank pari passu and ratably without preference among themselves and among any present and future unsecured obligations of the Issuer, except for any statutory preference or priority established under Philippine law.

The proceeds of the bonds were used by the Group to fully refinance existing secured loans, for capital expenditure requirements, and/or general corporate purposes.

The bonds is repaid at par (or 100% of face value), plus any outstanding interest, on the relevant maturity date of each series or on December 22, 2018 for the Series A Bonds and on March 22, 2021 for the Series B Bonds, unless the Group exercises its early redemption option for the Series A or Series B Bonds.

Interest on the bonds is payable quarterly in arrears every March 22, June 22, September 22 and December 22 of each year, starting on March 22, 2016.

The Group is required to maintain a maximum of debt-to-equity ratio of 1.50:1:00, a minimum current ratio of 2.00:1.00 and a minimum debt service coverage ratio of 1.25. The Group has complied with the debt covenants.

Movement in unamortized debt issuance cost for long-term debt follows:

	2020	2019
Beginning balance	**₱72,969,349**	₱101,224,760
Additions	–	11,250,000
Amortization	**(31,797,025)**	(39,505,411)
Ending balance	**₱41,172,324**	₱72,969,349

Interest expense on short-term and long-term debts amounted to ₱1,090.22 million, ₱1,047.40 million, and ₱800.88 million in 2020, 2019 and 2018, respectively (Note 18). Of the total interest expense, amortization of transaction cost on short-term and long-term loans amounted to ₱31.80 million, ₱39.51 million, and ₱28.14 million in 2020, 2019 and 2018, respectively, and included under "Interest expense" in the consolidated statements of comprehensive income (Note 18).

Borrowing costs capitalized as part of real estate inventories and investment properties in 2020, 2019 and 2018 amounted to ₱116.26 million, ₱166.00 million, and ₱101.68 million, respectively (Notes 7, 10 and 18).

15. Equity

The capital stock as of December 31, 2020 and 2019 consists of:

	Shares	Amount
Par value per share – ₱1.00		
Authorized common shares	**16,000,000,000**	**₱16,000,000,000**
Issued shares	**10,796,450,000**	**10,796,450,000**
Treasury shares	**2,600,000,000**	**1,640,000,000**
Outstanding shares	**8,196,450,000**	**8,196,450,000**

Registration Track Record:

a) The Parent Company was incorporated as Zipporah Mining and Industrial Corporation ('Zipporah Mining') on December 6, 1966 as a mining firm which was amended to a real estate developer.

b) On September 14, 1987, the Parent Company launched its Initial Public Offering where a total of 20,000.00 million common shares were offered at an offering price of ₱1.00 per share.

c) Subject to a restructuring program, the BOD of the Parent Company approved on November 22, 1995 the offering of up to 1,000.00 million shares of stock out of the increase in the authorized capital stock from ₱50.00 million to ₱2,000.00 million at a par value of ₱1.00 to a group of investors led by the Ultimate Parent Company. This was subsequently approved and ratified by the stockholders in a Special Stockholders' Meeting on December 18, 1995.

d) On December 18, 1995, the stockholders of the Parent Company approved a number of changes in the corporate structure as part of its diversification scheme. These were:

1. The change of its name to Zipporah Realty Holdings, Inc.;
2. The increase in the number of directors from nine to eleven;
3. The waiver of the pre-emptive rights over the future issuances of shares;
4. The change in the primary and secondary purposes;
5. The change in the par value of its shares from ₱0.01 to ₱1.00; and
6. The increase in its authorized capital stock to ₱2,000.00 million.

The first four changes were approved by the SEC on August 14, 1996 while the last two corporate acts were approved on January 22, 1997.

e) On June 15, 2007, the BOD approved the following resolutions and was ratified by the stockholders on July 16, 2007:

1. Change in Corporate name to Sta. Lucia Land, Inc.;
2. Increase in authorized capital stock of the Parent Company from ₱2,000.00 million divided into 2,000.00 million shares to ₱16,000.00 million divided into 16,000.00 million shares or an increase of ₱14,000.00 million with a par value of ₱1.00 per share;
3. Subscription of the Ultimate Parent Company of up to 10,000.00 million shares out of the increase in the Parent Company's authorized capital stock; and
4. Subscription of the Ultimate Parent Company to such shares shall be at par value, and the consideration for which shall be the assignment and transfer by the Ultimate Parent Company to the Parent Company of assets acceptable to the Parent Company at a reasonable discount on the fair market value of such assets. The fair market value was determined by independent professionally qualified appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

The above resolutions were ratified by the Parent Company's shareholders on July 16, 2007.

f) On December 8, 2007, the Parent Company and the Ultimate Parent Company executed various deeds of assignment wherein the Ultimate Parent Company assigned all its rights, title and interest to certain properties consisting of investment properties (Sta. Lucia East Grand Mall) amounting to ₱4,710.00 million and certain parcels of land amounting to ₱6,018.50 million and assumption of mortgage in the investment properties of ₱723.60 million. The investments of the Ultimate Parent Company through the assignment of various properties, net of mortgage assumed, were issued with shares of stock totaling ₱10,000.00 million.

The Group has 265 and 263 existing certified shareholders as at December 31, 2020 and 2019, respectively.

Treasury Shares
In 2010, the Parent Company had intercompany receivables from the Ultimate Parent Company amounting ₱1,029.88 million. The receivables ballooned to ₱1,358.69 million as of December 31, 2011. As full settlement of the receivables amounting to ₱1,358.69 million, the Ultimate Parent Company assigned shares of stocks of "Saddles and Clubs Leisure Park" to the Parent Company.

Also, the Parent Company accumulated ₱442.42 million receivables from Sta. Lucia East Commercial Corporation (SLECC) arising from uncollected rental income.

As of March 31, 2014, the Parent Company's recognized assets consisting of the "Saddles and Clubs Leisure Park" amounted to ₱1,358.69 million and receivables from SLECC amounted to ₱442.42 million. In aggregate, the assets amounted to ₱1,801.11 million.

In July 2014, the Parent Company agreed to enter into an agreement with the Ultimate Parent Company to convert portion of the Ultimate Parent Company's investments into treasury shares as settlement of the assets recognized by the Parent Company aggregating ₱1,801.11 million. Accordingly, on July 8, 2014, the Ultimate Parent Company and the Parent Company executed a deed of assignment.

Under the deed of assignment, the parties agreed to rescind its previous arrangement with respect to the assignment of the "Saddles and Clubs Leisure Park" project which resulted in the reversion of the assignment and the reinstatement of the receivables from the Ultimate Parent Company amounting ₱1,358.69 million. The parties also agreed to assign the SLECC receivables of ₱442.42 million to the Ultimate Parent Company. As a result, the total amount of receivables from the Ultimate Parent Company amounted to ₱1,801.11 million.

In order to fully settle the receivables from the Ultimate Parent Company amounting ₱1,801.11 million as of March 31, 2014, the Ultimate Parent Company agreed to assign, convey and transfer in favor of the Parent Company 3,000.00 million shares out of the Ultimate Parent Company's total shareholdings in the Parent Company. Upon exercise, the shares will become treasury shares.

The parties agreed to execute the assignment of the 3,000.00 million of the Parent Company shares in 2 tranches:

- Tranche 1 - 2,250.00 million shares, which covered ₱900.00 million of the advances, were transferred within 30 days from the signing of the Deed of Assignment. The Parent Company successfully executed Tranche 1 in September 2014.

- Tranche 2 - 750.00 million shares, which shall cover the remaining ₱901.11 million of the advances, to be transferred within 1 year from the date of the Deed of Assignment, or when the Parent Company accumulates more than ₱901.11 million in unrestricted retained earnings, whichever is earlier.

On December 27, 2018, pursuant to the Deed of Assignment, the Ultimate Parent Company and the Parent Company executed Tranche 2 in the Deed of Assignment. The Parent Company acquired 750.00 million treasury shares at a price of ₱1.20 per share to settle the ₱900.00 million advances under Tranche 2.

On December 22, 2015, the Group's 400.00 million treasury shares costing ₱0.40 per share were reissued at ₱0.75 per share, thus increasing the outstanding shares to 8,946.45 million.

Retained Earnings

In accordance with Revised Securities Regulation Code Rule 68, Annex 68-D, after reconciling items, the Group's retained earnings available for dividend declaration as of December 31, 2020, amounted to ₱5,756.88 million.

The retained earnings are restricted to dividends to the extent of shares held in treasury amounting ₱ 1,640.00 million.

Capital Management
The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its credit rating and allows it the financial flexibility, while providing sufficient cushion to absorb cyclical industry risks. The Group manages its capital structure and make adjustments to it, in light of changes in economic decisions.

The Group's sources of capital include all the components of the equity totaling ₱17,697.82 million and ₱16,114.00 million as of December 31, 2020 and 2019, respectively.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. The Group includes within debt, interest-bearing loans and external borrowings whether in the form of short-term notes or long-term notes and bonds.

The following table shows how the Group computes for its net debt-to-equity ratios as of December 31, 2020 and 2019:

	2020	2019
Debt (Note 14)	**₱17,178,798,230**	₱14,986,218,851
Less: Cash and cash equivalent (Note 5)	**942,820,503**	903,368,151
Net debt	**16,235,977,727**	14,082,850,700
Equity	**17,697,815,346**	16,113,995,109
Net debt-to-equity ratio	**0.92:1**	0.87:1

16. Interest Income

This account consists of:

	2020	2019	2018
Interest income from:			
Installment contracts receivables and contract assets (Note 6)	**₱360,186,578**	₱518,104,433	₱236,303,281
Accretion from unamortized discount (Note 6)	**115,352,087**	125,295,915	52,722,001
Cash in banks and cash equivalents (Note 5)	**4,254,707**	3,609,512	11,948,015
	₱479,793,372	₱647,009,860	₱300,973,297

17. Cost of Rental Income and Other Revenue

Cost of rental income consists of:

	2020	2019	2018
Utilities	**₱153,094,852**	₱366,324,783	₱369,485,451
Depreciation (Notes 10 and 11)	**124,107,731**	123,109,844	111,045,532
Carpark maintenance	**45,749,904**	8,728,119	9,515,899
Manpower	**27,595,993**	7,219,336	5,906,705
Management fee (Note 19)	**17,779,160**	42,856,491	55,982,602
Others	**36,808**	1,933,214	2,037,941
	₱368,364,448	₱550,171,787	₱553,974,130

Other revenue consists of:

	2020	2019	2018
Surcharges and penalties	**₱144,762,046**	₱93,357,906	₱75,633,291
Gain on repossession of inventories (Note 7)	**94,277,405**	29,602,737	34,897,007
Processing and registration fee	**90,436,685**	84,899,543	58,193,015
Gain from forfeited deposits	**12,401,549**	27,741,788	25,909,716
Profit share in hotel operations	**7,899,001**	54,533,185	47,175,695
Others	**5,067,749**	4,111,918	13,927,897
	₱354,844,435	₱294,247,077	₱255,736,621

Others mainly consists of income from nonrefundable collection from delinquent buyers and foreign exchange gains and losses.

18. Interest Expense

Interest expense consists of:

	2020	2019	2018
Interest expense on loans (Note 14)	**₱957,053,856**	₱904,427,702	₱658,880,663
Interest expense on bonds (Note 14)	**133,180,833**	142,974,758	141,995,997
Other financing charges	**19,326,441**	4,622,015	7,512,222
	1,109,561,130	1,052,024,475	808,388,882
Less capitalized borrowing costs (Notes 7, 10 and 14)	**116,261,991**	166,004,966	101,681,382
	₱993,299,139	₱886,019,509	₱706,707,500

19. Related Party Transactions

The related amounts and outstanding balances from related party transactions (RPT) in 2020 and 2019 follow:

	2020			
	Volume	**Outstanding**	**Terms**	**Conditions**
Trade receivables (Note 6)				
Ultimate Parent Company (SLRDI)				
Sharing of expenses, collection from buyers collected by SLRDI, unremitted share of SLRDI, marketing fee	**₱137,234,705**	**₱585,459,141**	Due and demandable; noninterest-bearing	Unsecured; no impairment (Note 15)
Affiliate (SLECC)				
Rental and management fee (Note 15) (d)	**(7,142,523)**	**37,219,997**	Due and demandable; noninterest-bearing	Unsecured; no impairment
Affiliate (Mall Tenants)				
Rental income (d)	**(20,776,640)**	**36,496,426**	Due and demandable; noninterest-bearing	Unsecured; no impairment
		₱659,175,564		
Non-trade receivables (Note 6)				
Affiliate (Marketing Arm)				
Advances (e)	**₱200,000**	**₱921,832**	Due and demandable; noninterest-bearing	Unsecured; no impairment
Key officers and directors (Note 6) (f)	**₱8,607,794**	**₱73,130,416**	Due and demandable; noninterest-bearing	Unsecured; no impairment
Trade payables (Note 12)				
Ultimate Parent Company (SLRDI)				
Advances	**₱17,713,026**	**₱56,318,549**	Payable on demand; noninterest bearing	Unsecured
Advances from shareholders				
Advances	**–**	**16,346,102**	Payable on demand; noninterest bearing	Unsecured
		₱72,664,651		

	2019			
	Volume	Outstanding	Terms	Conditions
Trade receivables (Note 6)				
Ultimate Parent Company (SLRDI)				
Sharing of expenses, collection from buyers collected by SLRDI, unremitted share of SLRDI, marketing fee	₱147,593,078	₱448,224,436	Due and demandable; noninterest-bearing	Unsecured; no impairment (Note 15)
(Forward)				
Affiliate (SLECC)				
Rental and management fee (Note 15) (d)	₱363,552,114	₱44,362,520	Due and demandable; noninterest-bearing	Unsecured; no impairment
Affiliate (Mall Tenants)				
Rental income (d)	31,424,706	57,273,066	Due and demandable; noninterest-bearing	Unsecured; no impairment
		₱549,860,022		
Non-trade receivables (Note 6)				
Affiliate (Marketing Arm)				
Advances (e)	₱2,000,000	₱721,832	Due and demandable; noninterest-bearing	Unsecured; no impairment
Key officers and directors (Note 6) (f)	₱14,274,711	₱64,522,622	Due and demandable; noninterest-bearing	Unsecured; no impairment
Trade payables (Note 12)				
Ultimate Parent Company (SLRDI)				
Advances	–	38,605,523	Payable on demand; noninterest bearing	Unsecured
Advances from shareholders				
Advances	–	16,346,102	Payable on demand; noninterest-bearing	Unsecured
		₱54,951,625		

The Group in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. These accounts are noninterest-bearing and are generally unsecured. The outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed-upon by the parties.

The significant transactions with related parties follow:

a. The Parent Company, in the normal course of business, has transactions with the Ultimate Parent Company consisting of non-interest bearing advances for working capital requirements with no fixed repayment terms.

   Other transactions with the Ultimate Parent Company include noninterest-bearing cash advances for various charges for reimbursements of expenses on gasoline consumption of service vehicles, repairs and maintenance, supplies, rentals for project exhibits and advertising/marketing costs. This pertains to the monthly amortization payment from the buyers of the Parent Company collected by the Ultimate Parent Company due to be remitted to the Parent Company.

   In 2014, SLLI and SLRDI entered into several memorandums of agreements wherein SLLI undertakes the development and marketing of the several projects of SLRDI and has assumed the position of the development contractor and marketing arm. In consideration of the services rendered by SLLI, SLRDI has agreed to the following:

   - Colinas Verdes Bulacan Project - SLRDI has entered into a joint arrangement with Araneta Properties, Inc. (API) for a proceed sharing agreement of 60% - LRDI - 40% API share. SLLI shall be entitled to 75% of SLRDI's share in the joint arrangement and 12% marketing fee on the gross selling price of all sales made from the project;
   - Green Meadows Iloilo Project - SLRDI has entered into a joint arrangement with AFP-Retirement and Separation Benefits System (ARSBS) for a lot sharing agreement of 55% -LRDI - 45% ARSBS share. SLLI shall be entitled to 75% of SLRDI's share in the joint arrangement and 12% marketing fee on the gross selling price of all sales made from the project;
   - Ponte Verde Davao Project- SLRDI has entered into a joint arrangement with Green Sphere Realty Corporation (GSRC) for a lot sharing agreement of 60% - LRDI - 40% GSRC share. SLLI shall be entitled to 75% of SLRDI's share in the joint arrangement and 12% marketing fee on the gross selling price of all sales made from the project; and
   - Valle Verde Davao Project - SLRDI has entered into a joint arrangement with GSRC for a lot sharing agreement of 60% - LRDI - 40% GSRC share. SLLI shall be entitled to 75% of SLRDI's share in the joint arrangement and 12% marketing fee on the gross selling price of all sales made from the project.

   Total share from the proceeds of SLRDI from the joint project development operations amounted to ₱152.58 million, ₱180.71 million, and ₱169.51 million in 2020, 2019 and 2018, respectively. The share amounting ₱38.14 million, ₱45.18 million, and ₱47.13 million are still to be remitted or offset against the receivable from SLRDI as of December 31, 2020, 2019 and 2018, respectively.

b. Effective October 1, 2014, SLLI directly entered into lease agreements with mall tenants. SLECC and SLLI, on the other hand, entered into a management services agreement effective October 1, 2014 wherein SLECC will provide property management and business development services, leveraging its knowledge in the mall operations from the past years. In exchange of

SLECC's services, SLLI shall pay SLECC a management fee equivalent to 5% of the gross rental revenue for managing mall operations including, repairs and maintenance and collection of space rental from storeowners or tenants.

In addition, the Parent Company has receivables from affiliate mall tenants. This pertains to accrued rental income amounting to ₱36.50 million and ₱57.27 million in 2020 and 2019, respectively.

c. The Parent Company made cash advances for pre-operating costs for various expenses like registration fees, taxes and licenses fees to its marketing arm.

   The advances amounted to ₱0.20 million and ₱2.00 million in 2020 and 2019, respectively.

d. The Parent Company made noninterest-bearing cash advances to officers and directors which is subject to liquidation.

   These advances amounted to ₱8.61 million and ₱14.27 million in 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the Group has not made any provision for ECL relating to amounts owed by related parties. There have been no guarantees and collaterals provided or received for any related party receivables or payables. This assessment of the Group is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Key Management Personnel

Compensation of key management personnel by benefit type follows:

	2020	2019
Short-term employee benefits	**₱14,670,000**	₱14,670,000
Post-employment benefits (Note 20)	**554,745**	554,745
	₱15,224,745	₱15,224,745

Approval requirements and limits on the amount and extent of related party transactions

Material related party transaction (MRPT) are transactions amounting to ten percent (10%) or more of the total consolidated assets of the Group and shall be identified taking into account the related party registry. The Related Party Transaction Review Committee shall approve all material related party transactions before their commencement.

All individual MRPTs shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a twelve (12)-month period that breaches the materiality threshold shall be required when the aggregate RPT transactions meets and exceeds the materiality threshold covering the same related party.

20. Pension

The Group has a funded, noncontributory, defined benefit pension plan covering all employees having regular employment status starting 2017. The plan provides a retirement benefit equal to 22.5 days pay for every year of credited service in accordance with the Retirement Pay Law (Republic Act No. 7641). The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

The following tables summarize the components of pension expense and net interest expense recognized in the consolidated statements of comprehensive income, remeasurements recognized in other comprehensive income and the funded status and amounts recognized in the consolidated statements of financial position for the existing pension plan.

Components of pension expense included in "Salaries and wages and other benefits" in the statements of comprehensive income follow:

	2020	2019	2018
Current service cost	**₱1,149,191**	₱1,295,905	₱896,950
Interest cost	**222,480**	423,204	66,612
	₱1,371,671	₱1,719,109	₱963,562

The remeasurements recognized in OCI for the year ended December 31, 2020 and 2019 follows:

	2020	2019	2018
Actuarial losses (gains) due to:			
Experience adjustments	**(₱6,062,141)**	(₱266,739)	₱5,612,027
Changes in financial assumptions	**1,143,224**	889,787	(1,406,984)
Changes in demographic assumptions	**397,984**	(2,325,849)	–
Asset return in net interest cost	**791,542**	503,417	173,100
Change in the effect of the asset ceiling	**13,305**	–	–
	(₱3,716,086)	(₱1,199,384)	₱4,378,143

Changes in the present value of the defined benefit obligation follow:

	2020	2019
Balances at beginning of year	**₱9,820,468**	₱9,496,160
Current service cost	**1,149,191**	1,295,905
Interest cost	**544,054**	731,204
Actuarial losses (gains) due to:		
Changes in financial assumptions	**1,143,224**	889,787
Changes in demographic assumptions	**397,984**	(2,325,849)
Experience adjustments	**(6,062,141)**	(266,739)
Balances at end of year	**₱6,992,780**	₱9,820,468

Changes in the fair value of the plan asset which are in the form of cash follow:

	2020	2019
Balances at beginning of year	**₱3,804,583**	₱4,000,000
Interest income	**321,574**	308,000
Contributions	**4,000,000**	–
Return on plan assets	**(791,542)**	(503,417)
Balances at end of year	**₱7,334,615**	₱3,804,583

The plan deficit (surplus) follow:

	2020	2019
Defined benefit obligation, ending	**₱6,992,780**	₱9,820,468
Fair value of plan assets, ending	**(7,334,615)**	(3,804,583)
Effect of the asset ceiling	**13,305**	–
Balances at end of year	**(₱328,530)**	₱6,015,885

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension for the defined benefit plans are shown below:

	2020	2019
Discount rate	**4.05%**	5.54%
Salary increase rate	**3.00%**	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant.

	2020		
	Increase/ decrease in rate	**Impact on defined benefit obligation**	
		Increase	**Decrease**
Salary increase rate	**+/-1%**	**₱987,703**	**(₱818,322)**
Discount rate	**+/-1%**	**987,177**	**(803,767)**

	2019		
	Increase/ decrease in rate	Impact on defined benefit obligation	
		Increase	Decrease
Salary increase rate	+/-1%	₱546,085	(₱465,676)
Discount rate	+/-1%	537,381	(451,332)

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

	2020	2019
2020	**₱537,025**	₱5,705,970
2021	–	517,428
2022	**589,260**	–
2023	–	570,084
2024	–	–
2025 - 2029	**5,881,296**	5,724,661

There was no plan amendment, curtailment, or settlement recognized in 2020 and 2019.

21. Interest in Joint Project Development Operations

The Group has entered into joint project development operations with various landowners and other companies, which include related parties. The interests in these joint operations range from 32% to 80% of the value of the whole project depending on the value of the land or investment of the other party against the estimated development costs. These joint project development operations entered into by the Group relate to the development and sale of subdivision land and condominium projects, with certain specified lots or units allocated to the joint operations. The Group's joint project development operations typically require the parties to contribute the land free from any lien, encumbrance and tenants or informal settlers to the project, with the Group bearing all costs related to land development and the construction of subdivision and condominium facilities.

For the year ended December 31, 2020, 2019 and 2018, the real estate sales and cost of real estate sales related to interest in joint project development operations amounted are as follows:

	2020	2019	2018
Real estate sales	**₱391,471,203**	₱429,702,423	₱302,626,900
Cost of real estate sales	**61,054,125**	158,656,792	124,818,574

Sales and marketing costs are allocated to both the Group and the joint development operator. The projects covering the joint operations are expected to be completed in various dates. Capital commitments amounted to ₱5,261.31 million and ₱4,725.00 million as of December 31, 2020 and 2019, respectively.

22. Segment Information

Operating segments are components of an entity for which discrete financial information is available that is regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segments and in assessing performance. Generally, financial information is required to be reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments.

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has two reportable operating segments as follows:

- *Leasing*
  This segment consists of the Group's investment properties which includes properties that are held to earn rentals and are not occupied by the Group.

- *Residential development*
  This represents the development and selling of subdivision lots and high-rise condominium projects across the Philippines.

For investment properties, financial information is provided to the BOD on a property by property basis. The information provided is net rentals (including gross rent less property expenses). Information on the residential development property segment provided to the BOD is aggregated and is represented by revenue and profit from the sale of real estate inventories.

Segment assets for the investment property segment represent investment property held to earn rentals. Segment assets for the residential development segment represent unsold real estate inventories. Segment liabilities represent loans payable and customers' deposits as these are the only liabilities reported to the BOD on a segmental basis.

The Group's administrative costs, interest income and interest expense are reported to the BOD on a segmental basis. There are no sales between segments.

For the years ended December 31, 2020, 2019 and 2018, there are no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

The following tables regarding business segments present assets and liabilities as of December 31, 2020, 2019 and 2018 and revenue and income information for each of the three years in the period ended December 31, 2020.

		2020	
	Leasing	**Residential Development**	**Total**
Rental income	**₱534,700,679**	**₱–**	**₱534,700,679**
Cost of rental income	**(368,364,448)**	**–**	**(368,364,448)**
Real estate sales	**–**	**5,383,079,540**	**5,383,079,540**
Cost of real estate sales	**–**	**(2,025,251,641)**	**(2,025,251,641)**
Segment gross profit	**166,336,231**	**3,357,827,899**	**3,524,164,130**
Selling and administrative expense	**(34,983,144)**	**(1,032,224,876)**	**(1,067,208,020)**
Interest income	**569,443**	**479,223,929**	**479,793,372**
Interest expense	**–**	**(993,299,139)**	**(993,299,139)**
Commission income	**–**	**91,526,979**	**91,526,979**
Dividend income	**–**	**9,202,279**	**9,202,279**
Other income	**–**	**354,844,435**	**354,844,435**
Provision for income tax	**(43,169,947)**	**(647,907,802)**	**(691,077,749)**
Net income	**₱88,752,583**	**₱1,619,193,704**	**₱1,707,946,287**
Total segment assets	**₱5,985,389,368**	**₱39,800,410,217**	**₱45,785,799,585**
Segment liabilities	**₱426,154,489**	**₱26,131,610,922**	**₱26,557,765,411**
Income tax payable	**–**	**87,348,124**	**87,348,124**
Deferred tax liabilities	**–**	**1,442,870,704**	**1,442,870,704**
Total liabilities	**₱426,154,489**	**₱27,661,829,750**	**₱28,087,984,239**

		2020	
	Leasing	**Residential Development**	**Total**
Cash flows arising from:			
Operating activities	**124,927,203**	**(732,842,186)**	**(607,914,983)**
Investing activities	**(254,368,249)**	**(196,978,232)**	**(451,346,481)**
Financing activities	**–**	**1,098,713,816**	**1,098,713,816**

		2019	
	Leasing	Residential Development	Total
Rental income	₱898,291,953	₱–	₱898,291,953
Cost of rental income	(550,171,787)	–	(550,171,787)
Real estate sales	–	5,871,496,779	5,871,496,779
Cost of real estate sales	–	(2,680,779,445)	(2,680,779,445)
Segment gross profit	348,120,166	3,190,717,334	3,538,837,500
Selling and administrative expense	(45,474,603)	(1,217,029,209)	(1,262,503,812)
Interest income	38,268	646,971,592	647,009,860

(Forward)

	2019		
	Leasing	Residential Development	Total
Interest expense	₱–	(₱886,019,509)	(₱886,019,509)
Commission income	–	93,579,168	93,579,168
Dividend income	–	5,662,941	5,662,941
Other income	65,324,860	228,922,217	294,247,077
Provision for income tax	(98,812,416)	(595,803,889)	(694,616,305)
Net income	₱269,196,275	₱1,467,000,645	₱1,736,196,920
Total segment assets	₱5,832,924,364	₱34,519,371,740	₱40,352,296,104
Segment liabilities	₱441,000,395	₱22,793,076,832	₱23,234,077,227
Income tax payable	–	49,578,644	49,578,644
Deferred tax liabilities	–	954,645,124	954,645,124
Total liabilities	₱441,000,395	₱23,797,300,601	₱24,238,300,995
Cash flows arising from:			
Operating activities	₱340,686,850	(₱366,797,926)	(₱26,111,076)
Investing activities	(196,671,284)	(265,850,287)	(462,521,571)
Financing activities	–	327,467,832	327,467,832

	2018		
	Leasing	Residential Development	Total
Rental income	₱858,758,442	₱–	₱858,758,442
Cost of rental income	(553,974,130)	–	(553,974,130)
Real estate sales	–	2,428,307,857	2,428,307,857
Cost of real estate sales	–	(959,025,588)	(959,025,588)
Segment gross profit	304,784,312	1,469,282,269	1,774,066,581
Selling and administrative expense	(113,357,034)	(505,462,039)	(618,819,073)
Interest income	498,370	300,474,927	300,973,297
Interest expense	–	(706,707,500)	(706,707,500)
Commission income	–	181,286,064	181,286,064
Dividend income	–	7,157,683	7,157,683
Other income	–	255,736,621	255,736,621
Other expense	(781,460)	(50,797,546)	(51,579,006)
Provision for income tax	–	(76,935,383)	(76,935,383)
Net income	₱191,144,188	₱874,035,096	₱1,065,179,284
Total segment assets	₱5,628,128,351	₱29,208,955,514	₱34,837,083,865
Segment liabilities	₱330,473,317	₱19,335,695,285	₱19,666,168,602
Income tax payable	–	19,894,432	19,894,432
Deferred tax liabilities	49,301,827	526,488,770	575,790,597
Total liabilities	₱379,775,144	₱19,882,078,487	₱20,261,853,631
Cash flows arising from:			
Operating activities	₱382,371,833	(₱2,020,609,039)	(₱1,638,237,206)
Investing activities	(108,667,923)	(98,154,725)	(206,822,648)
Financing activities	–	2,283,353,513	2,283,353,513

Capital expenditures consist of additions to investment property amounted to ₱238.79 million and ₱217.48 million in 2020 and 2019, respectively (see Note 10).

23. Operating Lease

Operating Leases - Group as Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases pertain to Sta. Lucia East Grand Mall, Orchard Tower 1, and Stradella. For Sta. Lucia East Grand Mall lease agreement generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. These leases have an average life of one (1) to two (2) years with renewal option included in the contracts. There are no restrictions place upon the lessee by entering into the contract.

Future minimum rentals receivable under cancellable operating leases of the Group follows:

	2020	2019
Within one year	**₱271,094,472**	₱242,447,510
After one year but not more than five years	**109,690,975**	138,377,105
	₱380,785,447	₱380,824,615

Monthly rental from mall tenants was subject to escalation clause of 10% per renewal while for Orchard Tower 1 and Stradella is subject to 5% escalation clause per year.

Rent income recognized amounted to ₱534.70 million, ₱898.29 million, and ₱858.76 million in 2020, 2019 and 2018, respectively.

In 2020, as a result of COVID-19 pandemic, the Parent Company granted lease concessions to its mall tenants which ranges from 50% to 100% of monthly rent depending on the nature of the tenant's operations. Rent concessions provided amounted to ₱166.54 million. These rent concessions qualified as a lease modification, thus, were accounted for as a new lease from the effective date of the modification and recognized remaining lease payments on a straight-line basis over the remaining lease term.

Parent Company

On October 1, 2014, SLLI directly entered into lease agreements with mall tenants. SLECC and SLLI, on the other hand, entered into a management services agreement effective October 1, 2014 wherein SLECC will provide property management business development services for a fee equivalent to 5% of the gross rental revenue (see Note 19).

24. **Income Tax**

Provision for income tax consists of:

	2020	2019	2018
Current - RCIT	**₱203,139,529**	₱315,523,294	₱216,105,289
Deferred	**487,110,754**	378,494,712	(141,338,263)
Final	**827,466**	598,299	2,168,357
	₱691,077,749	₱694,616,305	₱76,935,383

The Group recognized deferred tax asset from remeasurement gain on pension recognized in OCI for the years ended December 31, 2020 and 2019 amounting to ₱1.11 million and ₱0.36 million and deferred tax liability from remeasurement losses amounting ₱1.31 million for the year ended December 31, 2018.

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2020	2019	2018
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effect of:			
Nondeductible expenses	**0.01**	0.01	0.09
Income subjected to final taxes	**(0.01)**	(0.01)	(0.09)
Nontaxable income	**(1.19)**	(1.42)	(0.19)
Reversal of deferred tax liability	**–**	–	(23.07)
Effective income tax rate	**28.81%**	28.58%	6.74%

The components of net deferred tax liabilities as of December 31, 2020 and 2019 are as follows:

	2020	2019
Deferred tax assets on:		
Allowance for doubtful accounts	**₱5,475,814**	₱5,070,792
Accrued pension liability	**–**	703,240
	5,475,814	5,774,032
Deferred tax liabilities on:		
Excess of realized gross profit over taxable realized gross profit on real estate sales and difference in tax base and accounting base on rental income	**790,994,300**	395,713,763
Prepaid commission	**235,270,308**	241,606,978
Capitalized borrowing cost	**139,822,527**	107,711,117
Fair value gain on repossessed inventory	**67,115,881**	44,850,820
Unamortized transaction cost	**12,351,697**	21,890,805
Unamortized discount on receivables	**192,423,840**	148,620,237
Lease modification on rental income	**9,141,003**	–
Accrued pension asset	**1,200,085**	–
Others	**26,877**	25,436
	1,448,346,518	960,419,156
Net deferred tax liabilities	**(₱1,442,870,704)**	(₱954,645,124)

The Group did not recognize deferred tax asset on NOLCO of SLHI amounting to ₱0.06 million and ₱0.05 million in 2020 and 2019, respectively, since management believes that the tax benefit related will not reverse through income tax deductions in the near future.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2019	2020-2022	₱65,190	₱–	₱–	₱–	₱65,190
2018	2019-2021	36,696	–	–	–	36,696
2017	2018-2020	81,066	81,066	–	–	–
		₱182,952	₱81,066	₱–	₱–	₱101,886

As of December 31, 2020, the Group has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	₱87,500	₱–	₱–	₱–	₱87,500

25. Earnings per Share

The basic earnings per share for the years ended December 31, 2020, 2019 and 2018 were computed as follows:

	2020	2019	2018
Net income	**₱1,707,946,287**	₱1,736,196,920	₱1,065,179,284
Weighted average number of shares outstanding	**8,196,450,000**	8,196,450,000	8,946,450,000
Earnings per share	**₱0.21**	₱0.21	₱0.12

There were no potential dilutive shares in 2020, 2019 and 2018.

26. Fair Value Determination

The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

Cash and cash equivalents, receivables and accounts and other payables
Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Installment contracts receivables
The fair values of real estate receivable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity. The discount rate used in 2020 and 2019 ranges from .08% to 7.54% and 6.25% to 8.16%, respectively. The carrying value and fair value of the receivables amounted to ₱2,560.15 million and ₱2,612.15 million, respectively in 2020 and ₱1,230.32 million and ₱1,293.14 million, respectively in 2019.

Financial assets at FVOCI quoted equity securities
In 2020 and 2019, the fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities
In 2020 and 2019, the fair values are based on the adjusted net asset value.

Short term debt
Carrying amounts approximate the fair values because they carry interest rates which are the prevailing market rates for similar instruments.

Long term debt
The fair values of bonds payable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity. The discount rate used in 2020 and 2019 ranges from 6.14% to 7.52%. The carrying value and fair value of the bonds payable amounted to ₱8,043.48 million and ₱11,071.00 million, respectively in 2020 and ₱11,071.00 million and ₱11,538.00 million, respectively in 2019.

The quantitative disclosures on fair value measurement hierarchy for assets as of December 31, 2020 and 2019 follow:

		2020			
			Fair value measurements using		
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Quoted equity securities	₱592,171,231	₱592,171,231	₱592,171,231	₱–	₱–
Unquoted equity securities	229,276,994	229,276,994	–	–	229,276,994
Assets for which fair value are disclosed				–	
Installment contracts receivables	2,562,124,605	2,612,153,894	–	–	2,612,153,894
Investment properties	5,712,412,564	7,671,803,309	–	–	7,671,803,309
Liabilities for which fair value are disclosed					
Short-term debt	6,148,970,554	6,148,970,554	–	–	6,148,970,554
Long-term debt*	11,029,827,676	11,071,000,000	–	–	11,071,000,000

**Includes current portion of long-term debt*

		2019			
			Fair value measurements using		
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Quoted equity securities	₱725,304,769	₱725,304,769	₱725,304,769	₱–	₱–
Unquoted equity securities	222,870,766	222,870,766	–	–	222,870,766
Assets for which fair value are disclosed					
Installment contracts receivables	1,230,318,438	1,293,143,030	–	–	1,293,143,030
Investment properties	5,597,417,842	7,563,000,000	–	–	7,563,000,000
Liabilities for which fair value are disclosed					
Short-term debt	3,521,188,200	3,521,188,200	–	–	3,521,188,200
Long-term debt*	11,465,030,651	11,538,000,000	–	–	11,538,000,000

**Includes current portion of long-term debt*

As at December 31, 2020, the Group's financial assets at FVOCI amounting to ₱592.17 million is carried at fair value based on Level 1 while the fair value for the investment amounting ₱229.28 million is based on Level 3 (Note 9). The fair value for noncurrent receivables is based on Level 3. There have been no transfers between Level 1 and Level 2 during 2020 and 2019.

27. Financial Asset and Liabilities

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the net asset settles the liability simultaneously.

The following table represents the recognized financial instruments that are offset as of December 31, 2020 and 2019, and shows in the 'Net' column what the net impact would be on the Group's consolidated statements of financial position as a result of the offsetting rights.

	December 31, 2020		
	Gross Amount	**Offsetting**	**Net Amount**
Due from related parties	**₱–**	**(₱3,254,988)**	**(₱3,254,988)**
Due to related parties	**585,459,141**	**–**	**585,459,141**
	₱585,459,141	**(₱3,254,988)**	**₱582,204,153**

	December 31, 2019		
	Gross Amount	Offsetting	Net Amount
Due from related parties	₱–	(₱3,254,988)	(₱3,254,988)
Due to related parties	448,224,436	–	448,224,436
	₱448,224,436	(₱3,254,988)	₱444,969,448

SLLI's payable to SLRDI arising from SLRDI's unremitted share in the development and sale of the several projects of the latter is offset against the total receivable from SLRDI.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash and cash equivalents, receivables, financial assets at FVOCI, accounts and other payables, short-term debt and long-term debt.

Management closely monitors the cash fund and financial transactions of the Group. These strategies, to an extent, mitigate the Group's interest rate and credit risks.

Exposure to liquidity and credit risks arise in the normal course of the Group's business activities.

The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Liquidity risk
Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Group manages its liquidity profile to be able to finance the capital expenditures and service the maturing debts. To cover the financing requirements, the Group intends to use internally generated funds and proceeds from debt and equity offerings.

The Group actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets. As of December 31, 2020 and 2019, the Group has no undrawn facilities. As part of the liquidity risk management, the Group is currently transacting with local banks for a longer term corporate notes and negotiation of higher undrawn credit lines to meet the debtors', suppliers' and contractors' obligations and business expansion.

At the Special Meeting of the Board of Directors of the Group held last February 17, 2018, wherein, subject to securing all required approvals under applicable laws, rules and regulations, the Group was authorized to negotiate and avail of a 10 year Corporate Note Facility with financial institutions, with a maximum of 19 investors, for an aggregate amount of ₱3,000.00 million and with an overallotment option of ₱2,000.00 million, for the pre-payment of existing obligations of the Group, strategic land banking, capital expenditures for ongoing and new projects, and general corporate purposes.

Through scenario analysis and contingency planning, the Group also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost, and ensures the availability of ample unused credit facilities as back-up liquidity.

Cash are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise.

The table summarizes the maturity profile of the Group's financial assets and financial liabilities at December 31 based on contractual undiscounted payments:

	2020			
	< 1 year	>1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents	**₱942,820,503**	**₱–**	**₱–**	**₱942,820,503**
Receivables:				
Installment contracts receivables:				
Subdivision land	**1,176,925,195**	**672,817,143**	**30,858,786**	**1,880,601,124**
Condominium units	**421,155,587**	**298,393,133**	**12,004,050**	**731,552,770**
Receivable from related parties	**660,097,396**	–	–	**660,097,396**
Advances to joint development operations	**356,151,516**	–	–	**356,151,516**
Advances to officers and employees	**116,992,148**	–	–	**116,992,148**
Commission receivable	**74,038,309**	–	–	**74,038,309**
Accrued interest receivable	**618,011,413**	–	–	**618,011,413**
Receivable from tenants	**97,254,072**	–	–	**97,254,072**
Dividend receivable	**20,082,111**	–	–	**20,082,111**
Others	**₱22,169,773**	**₱–**	**₱–**	**₱22,169,773**
Financial instruments at FVOCI	**821,448,225**	–	–	**821,448,225**
Total Financial Assets	**5,327,146,248**	**971,210,276**	**42,862,836**	**6,341,219,360**
Contract assets	**1,880,380,969**	**919,397,304**	**48,097,728**	**2,847,876,001**
	₱7,207,527,217	**₱1,890,607,580**	**₱90,960,564**	**₱9,189,095,361**
Financial liabilities				
Accounts and other payables:				
Contractors payable	**₱2,492,284,878**	**₱–**	**₱–**	**₱2,492,284,878**
Payable to joint development operators	**810,780,367**	–	–	**810,780,367**
Accounts payable	**965,359,014**	–	–	**965,359,014**
Retention payable	**137,391,169**	–	–	**137,391,169**
Accrued payables	**8,101,325**	–	–	**8,101,325**
Payable to related parties	**56,318,549**	–	–	**56,318,549**
Advances from shareholders	**16,346,102**	–	–	**16,346,102**
Interest payable	**145,325,402**	–	–	**145,325,402**
Others	**105,845,858**	–	–	**105,845,858**
Short term and long term debts	**9,176,488,975**	**6,886,357,022**	**1,115,952,233**	**17,178,798,230**
Total Financial Liabilities	**₱13,914,241,639**	**₱6,886,357,022**	**₱1,115,952,233**	**₱21,916,550,894**

	2019			
	< 1 year	>1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents	₱903,368,151	₱–	₱–	₱903,368,151
Receivables:				
Installment contracts receivables:				
Subdivision land	539,926,294	382,543,419	15,389,330	937,859,043
Condominium units	206,048,573	143,464,008	5,771,406	355,283,987
Receivable from related parties	550,581,854	–	–	550,581,854
Advances to joint development operations	439,560,326	–	–	439,560,326
Advances to officers and employees	111,454,568	–	–	111,454,568
Commission receivable	21,033,399	–	–	21,033,399
Accrued interest receivable	484,850,509	–	–	484,850,509
Receivable from tenants	62,368,861	–	–	62,368,861
Dividend receivable	14,566,771	–	–	14,566,771
Others	18,212,856	–	–	18,212,856
Financial instruments at FVOCI	948,175,535	–	–	948,175,535
Total Financial Assets	4,300,147,697	526,007,427	21,160,736	4,847,315,860
Contract assets	1,618,898,886	1,193,618,215	48,018,006	2,860,535,107
	₱5,919,046,583	₱1,719,625,642	₱69,178,742	₱7,707,850,967
Financial liabilities				
Accounts and other payables:				
Contractors payable	₱1,999,834,799	₱–	₱–	₱1,999,834,799
Payable to joint development operators	406,059,166	–	–	406,059,166
Accounts payable	1,422,039,020	–	–	1,422,039,020
Retention payable	118,078,977	–	–	118,078,977
Accrued payables	27,374,304	–	–	27,374,304
Payable to related parties	38,605,523	–	–	38,605,523
Advances from shareholders	16,346,102	–	–	16,346,102
Interest payable	147,342,861	–	–	147,342,861
Others	18,129,054	–	–	18,129,054
Short term and long term debts	3,988,188,200	9,093,338,726	1,904,691,925	14,986,218,851
Total Financial Liabilities	₱8,181,998,006	₱9,093,338,726	₱1,904,691,925	₱19,180,028,657

Short term and long-term debts include future interest payments.

Cash and receivables are used for the Group's liquidity requirements. Refer to the terms and maturity profile of these financial assets under the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. The credit risk for installment contracts receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject lot in case of refusal by the buyer to pay on time the amortization due. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

An impairment analysis is performed at each reporting date using a simplified approach to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating and coverage by letters of credit and other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's installment contracts receivables and contract assets using the simplified approach:

		2020	
	Total	**Vertical**	**Horizontal**
Expected credit loss rate	**0.0%**	**0.0%**	**0.0%**
Estimated total gross carrying amount at default	**₱6,078,070,228**	**₱941,193,349**	**₱ 5,136,876,879**

		2019	
	Total	Vertical	Horizontal
Expected credit loss rate	0.0%	0.0%	0.0%
Estimated total gross carrying amount at default	₱4,658,515,579	₱634,973,213	₱4,023,542,366

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position as of December 31, 2020 and 2019.

	2020	2019
Contract assets	**₱2,847,876,001**	₱2,860,535,107
Installment contracts receivables:		
Subdivision land	**1,880,601,124**	937,859,043
Condominium units	**731,552,770**	355,283,987
Receivable from related parties	**660,097,396**	550,581,854
Accrued interest receivable	**618,011,413**	484,850,509
Commission receivable	**74,038,309**	21,033,399
Receivable from tenants	**97,254,072**	62,368,861
Dividend receivable	**20,082,111**	14,566,771
	₱6,929,513,196	₱5,287,079,531

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk. As of December 31, 2020 and 2019, the aging analysis of past due but not impaired receivables presented per class, is as follows:

2020

	Neither Past Due nor Impaired	Past Due but not Impaired						Impaired	Total
		1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total		
Installment contracts receivables:									
Subdivision land	₱1,715,279,324	₱38,203,618	₱25,634,049	₱30,560,591	₱29,391,212	₱23,279,617	₱147,069,087	₱18,252,713	₱1,880,601,124
Condominium units	672,254,998	15,585,105	9,704,510	11,635,941	11,396,731	10,975,485	59,297,772	–	731,552,770
Receivable from related parties	660,097,396	–	–	–	–	–	–	–	660,097,396
Advances to joint development operations	356,151,516	–	–	–	–	–	–	–	356,151,516
Advances to officers and employees	116,992,148	–	–	–	–	–	–	–	116,992,148
Commission receivable	74,038,309	–	–	–	–	–	–	–	74,038,309
Accrued interest receivable	618,011,413	–	–	–	–	–	–	–	618,011,413
Receivable from tenants	97,254,072	–	–	–	–	–	–	–	97,254,072
Dividend receivable	20,082,111	–	–	–	–	–	–	–	20,082,111
Others	22,169,773	–	–	–	–	–	–	–	22,169,773
Total	₱4,352,331,060	₱53,788,723	₱35,338,559	₱42,196,532	₱40,787,943	₱34,255,102	₱206,366,859	₱18,252,713	₱4,576,950,632

2019

	Neither Past Due nor Impaired	Past Due but not Impaired						Impaired	Total
		1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total		
Installment contracts receivables:									
Subdivision land	₱853,972,277	₱17,493,426	₱11,927,507	₱10,244,583	₱9,613,839	₱17,704,772	₱66,984,127	₱16,902,639	₱937,859,043
Condominium units	331,855,508	5,510,590	5,056,497	4,483,047	3,770,244	4,608,101	23,428,479	–	355,283,987
Receivable from related parties	550,581,854	–	–	–	–	–	–	–	550,581,854
Advances to joint development operations	439,560,326	–	–	–	–	–	–	–	439,560,326
Advances to officers and employees	111,454,568	–	–	–	–	–	–	–	111,454,568
Commission receivable	21,033,399	–	–	–	–	–	–	–	21,033,399
Accrued interest receivable	484,850,509	–	–	–	–	–	–	–	484,850,509
Receivable from tenants	62,368,861	–	–	–	–	–	–	–	62,368,861
Dividend receivable	14,566,771	–	–	–	–	–	–	–	14,566,771
Others	18,212,856	–	–	–	–	–	–	–	18,212,856
Total	₱2,888,456,929	₱23,004,016	₱16,984,004	₱14,727,630	₱13,384,083	₱22,312,873	₱90,412,606	₱16,902,639	₱2,995,772,174

The table below shows the credit quality of the Group's financial assets as of December 31, 2020 and 2019.

	2020						
	Neither past due nor impaired				Past due but		
	High Grade	Medium Grade	Low Grade	Total	not impaired	Impaired	Total
Cash in bank and cash equivalents	₱942,820,503	₱–	₱–	₱942,820,503	₱–	₱–	₱942,820,503
Receivables:							
Installment contracts receivables:							
Subdivision land	1,715,279,324	–	–	1,715,279,324	147,069,087	18,252,713	1,880,601,124
Condominium units	672,254,997	–	–	672,254,997	59,297,773		731,552,770
Receivable from related parties	660,097,396	–	–	660,097,396	–	–	660,097,396
Advances to officers and employees	116,992,148	–	–	116,992,148	–	–	116,992,148
Advances to joint development operations	356,151,516	–	–	356,151,516	–	–	356,151,516
Commission receivable	74,038,309	–	–	74,038,309	–	–	74,038,309
Accrued interest receivable	618,011,413	–	–	618,011,413	–	–	618,011,413
Receivables from tenants	97,254,072	–	–	97,254,072	–	–	97,254,072
Dividend receivable	20,082,111	–	–	20,082,111	–	–	20,082,111
Others	22,169,773	–	–	22,169,773	–	–	22,169,773
Financial assets at FVOCI	821,448,225	–	–	821,448,225	–	–	821,448,225
	₱6,116,599,787	₱–	₱–	₱6,116,599,787	₱206,366,860	₱18,252,713	₱6,341,219,360

	2019						
	Neither past due nor impaired				Past due but		
	High Grade	Medium Grade	Low Grade	Total	not impaired	Impaired	Total
Cash in bank and cash equivalents	₱903,368,151	₱–	₱–	₱903,368,151	₱–	₱–	₱903,368,151
Receivables:							
Installment contracts receivables:							
Subdivision land	853,972,277	–	–	853,972,277	66,984,127	16,902,639	937,859,043
Condominium units	331,855,508	–	–	331,855,508	23,428,479	–	355,283,987
Receivable from related parties	550,581,854	–	–	550,581,854	–	–	550,581,854
Advances to officers and employees	111,454,568	–	–	111,454,568	–	–	111,454,568
Advances to joint development operations	439,560,326	–	–	439,560,326	–	–	439,560,326
Commission receivable	21,033,399	–	–	21,033,399	–	–	21,033,399
Accrued interest receivable	484,850,509	–	–	484,850,509	–	–	484,850,509
Receivables from tenants	62,368,861	–	–	62,368,861	–	–	62,368,861
Dividend receivable	14,566,771	–	–	14,566,771	–	–	14,566,771
Others	18,212,856	–	–	18,212,856	–	–	18,212,856
Financial assets at FVOCI	948,175,535	–	–	948,175,535	–	–	948,175,535
	₱4,740,000,615	₱–	₱–	₱4,740,000,615	₱90,412,606	₱16,902,639	₱4,847,315,860

The credit quality of the financial assets was determined as follows:

Cash - high grade pertains to cash deposited in local banks belonging to the top ten banks in the Philippines in terms of resources and profitability.

Receivables - high grade pertains to receivables with no default in payment and pertains to related parties; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages the equity price risk through diversification and placing limits on equity instruments.

The effect on equity, as a result of a change in carrying amount of financial assets at FVOCI as of December 31, 2020 and 2019 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱98.50 million and ₱94.82 million, respectively, if equity indices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

Interest rate risk
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 of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve, and degree of variability of cash flows.

The following table demonstrates the sensitivity of the Group's income before tax and equity to a reasonably possible change in interest rates on December 31, 2020 and 2019, with all variables held constant, (through the impact on floating rate borrowings):

	Effect on income before income tax Increase (decrease)	
	2020	2019
Change in basis points:		
+100 basis points	**(₱153,970,968)**	(₱127,414,317)
-100 basis points	**₱153,970,968**	127,414,317

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.

The terms and maturity profile of the undiscounted interest-bearing financial assets and liabilities, at discounted values together with their corresponding nominal amounts and carrying values are shown in the following table:

2020

	Interest terms (p.a.)	Rate Fixing Period	On Demand	1 to 3 months	3 to 12 months	1 to 5 years	Total
Financial Assets							
Cash and cash equivalents	Fixed at the date of investment	Various	₱942,820,503	₱–	₱–	₱–	₱942,820,503
Installment contracts receivables	Fixed at the date of sale	Date of sale	206,768,183	241,202,472	723,607,417	1,440,575,822	2,612,153,894
Receivables from related parties	N/A	N/A	660,097,396	–	–	–	660,097,396
Other	N/A	N/A	22,169,773	–	–	–	22,169,773
Financial assets at fair value through OCI	N/A	N/A	–	–	–	821,448,225	821,448,225
Total financial assets			1,831,855,855	241,202,472	723,607,417	2,262,024,047	5,058,689,791
Contract assets			302,147,387	287,881,900	863,645,700	1,394,201,014	2,847,876,001
Total undiscounted financial and contract assets			2,134,003,242	529,084,372	1,587,253,117	3,656,225,061	7,906,565,792
Financial Liabilities							
Bonds payable	Variable at 2.5% over 91 days PDST	Quarterly	–	2,000,000,000	–	–	2,000,000,000
Loans payable	Fixed at the date of loan	Quarterly	–	6,148,970,554	–	–	6,148,970,554
Notes payable	N/A	N/A	–	202,500,000	845,000,000	8,023,500,000	9,071,000,000
Accounts and other payables	N/A	N/A	5,407,788,319	–	–	–	5,407,788,319
Total undiscounted financial liabilities			5,407,788,319	8,351,470,554	845,000,000	8,023,500,000	22,627,758,873
Liquidity position (gap)			(₱3,273,785,077)	(₱7,822,386,182)	₱742,253,117	(₱4,367,274,939)	(₱14,721,193,081)

2019

	Interest terms (p.a.)	Rate Fixing Period	On Demand	1 to 3 months	3 to 12 months	1 to 5 years	Total
Financial Assets							
Cash and cash equivalents	Fixed at the date of investment	Various	₱903,368,151	₱–	₱–	₱–	₱903,368,151
Installment contracts receivables	Fixed at the date of sale	Date of sale	89,896,603	157,265,922	471,797,767	574,182,738	1,293,143,030
Receivables from related parties	N/A	N/A	550,581,854	–	–	–	550,581,854
Other	N/A	N/A	18,212,856	–	–	–	18,212,856
Financial assets at fair value through OCI	N/A	N/A	–	–	–	948,175,535	948,175,535
Total financial assets			1,562,059,464	157,265,922	471,797,767	1,522,358,273	3,713,481,426
Contract assets			235,521,593	345,844,323	1,037,532,970	1,241,636,221	2,860,535,107
Total undiscounted financial and contract assets			1,797,581,057	503,110,245	1,509,330,737	2,763,994,494	6,574,016,533
Financial Liabilities							
Bonds payable	Variable at 2.5% over 91 days PDST	Quarterly	–	–	–	2,000,000,000	2,000,000,000
Loans payable	Fixed at the date of loan	Quarterly	–	2,931,188,200	1,057,000,000	–	3,988,188,200
Notes payable	N/A	N/A	–	–	–	9,071,000,000	9,071,000,000
Accounts and other payables	N/A	N/A	4,784,226,831	–	–	–	4,784,226,.831
Total undiscounted financial liabilities			4,769,348,812	2,931,188,200	1,057,000,000	11,071,000,000	19,828,537,012
Liquidity position (gap)			(₱2,971,767,755)	(₱2,428,077,955)	₱452,330,737	(₱8,307,005,506)	(₱13,254,520,479)

28. Notes to Statements of Cash Flows

Below are the non-cash investing and financing activities for December 31, 2020 and 2019:

a. The interest paid excludes capitalized borrowing costs and accretion of bond transaction cost. The capitalized borrowing costs in 2020, 2019, and 2018 amounted to ₱116.26 million, ₱166.00 million, and ₱101.68 million, respectively. The accretion of bond transaction cost amounted to ₱31.80 million, ₱39.51 million, and ₱28.14 million, for the years 2020, 2019, and 2018, respectively.

b. In 2018, the Parent Company acquired 750.00 million treasury shares at the price of ₱1.20 per share to cover the settlement of the ₱900.00 million advances made by the Parent Company to the Ultimate Parent Company. The amount was credited against the outstanding receivables from the Ultimate Parent Company.

c. The Group transferred other current assets to real estate inventories amounting to ₱1,915.50 million in 2019 (nil in 2020).

d. The Group transferred other current assets to other noncurrent assets amounting to ₱443.56 million and ₱373.27 million in 2020 and 2019, respectively.

e. The Group transferred inventories to investment properties amounting to ₱348.14 million in 2019 (nil in 2020).

f. Purchases of lots which remain unpaid as of December 31, 2020, and 2019 amounted ₱1,082.11 million, ₱837.34 million, respectively.

Details of the movement in cash flows from financing activities follow:

	December 31, 2019	**Cash flows**	**Non-cash changes**	**December 31, 2020**
Payable to related parties (Note 19)	**₱38,605,523**	**₱17,713,026**	**₱–**	**₱56,318,549**
Short-term and long-term debt (Note 14)	**14,986,218,851**	**2,160,782,354**	**31,797,025**	**17,178,798,230**
Interest payable	**147,342,861**	**(1,079,781,564)**	**1,077,764,105**	**145,325,402**
Total liabilities from financing activities	**₱15,172,167,235**	**₱1,098,713,816**	**₱1,109,561,130**	**₱17,380,442,181**

	December 31, 2018	Cash flows	Non-cash changes	December 31, 2019
Payable to related parties (Note 19)	₱45,811,724	(₱65,190)	(₱7,141,011)	₱38,605,523
Short-term and long-term debt (Note 14)	13,606,775,240	1,339,938,200	39,505,411	14,986,218,851
Interest payable	147,228,975	(1,012,405,178)	1,012,519,064	147,342,861
Total liabilities from financing activities	₱13,799,815,939	₱327,467,832	₱1,044,883,464	₱15,172,167,235

Non-cash changes pertain to accretion of bond discount from short-term and long-term debt, capitalized borrowing costs to inventories and investment properties and accrual of interest expense.

29. Contingencies

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business including cases related to property restriction violation. The estimate of the probable cost for the resolution of this claim has been developed in consultation with outside counsel handling the defense in this matter and is based upon an analysis of potential results. In the opinion of management and its legal counsel the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. No provision for any liability has been made in the consolidated financial statements.

Disclosures required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, were not provided as it may prejudice the Group's position in ongoing claims and it can jeopardize the outcome of the claims and contingencies.

30. Other Matters

COVID-19
The World Health Organization declared the outbreak of COVID-19 virus as a global pandemic on March 11, 2020. On June 29, 2020, the Inter-Agency Task Force of Emerging Infectious Disease (IATF) issued Resolution No. 55-A, placing high-to-moderate risk areas, including all highly urbanized cities in Metro Manila under General Community Quarantine (GCQ) starting July 1 until July 15, 2020, and subsequently extended until July 30, 2020 upon IATF's issuance of the Resolution No. 60-A. On August 3, 2020, the Office of the President issued a Memorandum from the Executive Secretary placing Modified Enhanced Community Quarantine (MECQ) over the National Capital Region, and the provinces of Laguna, Cavite, Rizal, and Bulacan until August 18, 2020. On August 17, 2020, upon IATF's issuance of the Resolution No. 64, Metro Manila and the provinces of Bulacan, Cavite, Laguna and Rizal shall be placed under General Community Quarantine (GCQ) and the rest of the country under Modified General Community Quarantine (MGCQ) until August 31, 2020. This was subsequently extended until October 31, 2020 and until December 31, 2020 upon IATF's issuance of the Resolution Nos. 67 and 81, respectively. On January 1, 2021, the Office of the President issued a Memorandum from the Executive Secretary placing GCQ over the National Capital Region, and MGCQ over the provinces of Bulacan, Cavite, Laguna and Rizal until January 31, 2021 and was subsequently extended until March 28, 2021. On March 27, 2021, the Office of the President issued a Memorandum from the Executive Secretary placing ECQ over the National Capital Region and the provinces of Bulacan, Cavite, Laguna and Rizal starting March 29 to April 4, 2021, and subsequently extended until April 11, 2021. The ECQ shifted to MECQ until May 31, 2021.

The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group. Measures currently undertaken by the Group to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others.

The quarantine restrictions and recent social distancing guidelines limit the operations of malls and construction completion. Despite the challenges, the Group prioritized easing the burden of its customers by providing payment grace periods or rental relief. Since physical gatherings were no longer possible, marketing efforts shifted to digital platforms to resume promotional campaigns.

In addition, our strong presence outside Metro Manila is a factor that lessens the impact of the lockdown, as most areas especially in the provinces have already transitioned to MGCQ and we can ramp up construction in those areas.

The Group is closely monitoring the situation and the changes in their target market's behaviour as a result of the "new normal". Despite adverse effect in real estate industry, the Group proves to be resilient that it expects to launch all projects and its leasing expansion on time.

To mitigate the COVID-19 impact to its operations, the Group has been looking to expand its customer base and has appointed Sta. Lucia Ventures, Inc. and seven other marketing companies whose clientele not only includes OFWs and their families but Business Process Outsourcing ("BPO") employees, Small and Medium Enterprise ("SME") owners and other corporate and government employees as well. In addition, the Group intends to expand its retail portfolio by offering these commercial properties via 3 main options: (i) outright sale of the commercial lots, (ii) lease of the commercial lot to retailers, and (iii) building of the Group's own malls in these commercial properties and leasing it to retailers.

31. Events After the Reporting Date

On February 24, 2021, SLRDI purchased parcels of land located in Nasugbu, Batangas, with a total area of 381,876 sq.m. from Roxaco Land Corporation. SLRDI intends to use the properties for residential and commercial developments.

On March 12, 2021, the BOD approved the raising of up to Seven Billion Pesos (₱7,000,000,000.00) through issuance of corporate notes for listing on the Philippine Dealing and Exchange Corporation for the purpose of refinancing maturing and existing debts and to finance our general corporate requirements.

On March 15,2021, the Group entered into a ₱7,000.00 million Corporate Noted Facility Agreement ('Facility Agreement") with RCBC Capital Corporation as the lead arranger and sole book runner.

On March 18, 2021, the Group made the first drawdown amounting to ₱2,000.00 million from the following banks pursuant to the facility agreement:

Tranche A

Note Holder	Maturity Date	Interest Rate	Amount
BPI	March 18, 2021	4.90%	₱341,463,415
BDO	March 18, 2021	4.90%	341,463,415
Robinsons Bank Corporation	March 18, 2021	4.90%	195,121,951
Sub-total			₱878,048,781

Tranche B

Note Holder	Maturity Date	Interest Rate	Amount
RCBC	March 18, 2026	6.04%	₱975,609,756
BPI	March 18, 2026	6.04%	146,341,463
Sub-total			₱1,121,951,219

On March 22, 2021, the ₱2,000.00 million Series B bonds issued on December 22, 2015 has matured and its related maturity payment has been made by the Group to bondholders on the same date.

Subsequently, in a letter dated March 23, 2021, the Philippine Depository & Trust Corp. has effected the closure of the same on the Bond's registry record.

The Group considers these events as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2020.

Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE"
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Group for CY2020 is 27.50%. This will result in lower provision for current income tax for the year ended December 31, 2020, and lower income tax payable as of December 31, 2020, amounting to ₱186.21 million and ₱70.42 million, respectively or a reduction of ₱16.93 million. The reduced amount will be reflected in the Group's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

- This will result in lower deferred tax liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱40.59 million. These reductions will be recognized in the 2021 financial statements.

SGV
Building a better working world

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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 SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Sta. Lucia Land, Inc. and Subsidiaries
Penthouse Bldg. 3, Sta. Lucia Mall
Marcos Highway cor. Imelda Avenue
Cainta, Rizal

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Sta. Lucia Land, Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated May 17, 2021. 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 Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group'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 financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

[redacted]

Michael C. Sabado
Partner

[redacted]

May 17, 2021

STA. LUCIA LAND, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Management's Responsibility for Financial Statements

Report of Independent Auditors

Consolidated Statements of Financial Position as at December 31, 2020 and 2019

Consolidated Statements of Comprehensive Income for the years ended
December 31, 2020, 2019 and 2018

Consolidated Statements of Changes in Equity for the years ended
December 31, 2020, 2019 and 2018

Consolidated Statements of Cash Flows for the years ended
December 31, 2020, 2019 and 2018

Notes to Consolidated Financial Statements

SUPPLEMENTARY SCHEDULES

Report of Independent Auditors' on Supplementary Schedules

A. Financial Assets in Equity Securities

B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

D. Long-term debt

E. Capital Stock

F. Reconciliation of Unappropriated Retained Earnings Available For Dividend Declaration

G. Schedule of financial soundness indicators

H. Conglomerate Map

STA. LUCIA LAND, INC. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AND 68.1 AS AMENDED

DECEMBER 31, 2020

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not a required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

Below is the detailed schedule of financial assets in equity securities of the Group as of December 31, 2020:

Name of Issuing entity and association of each issue	Number of Shares	Amount Shown in the Statement of Financial Position
Financial Assets at Fair Value through Other Comprehensive Income (OCI)		
Quoted:		
Philippine Racing Club, Inc.	70,786,759	₱523,114,149
Manila Jockey Club, Inc.	29,894,841	69,057,082
Unquoted:		
Uni-Asia Properties, Inc.	8,812,489	229,276,994
	109,494,089	₱821,448,225

The basis in determining the value of quoted equity securities is the market quotation on December 31, 2020 while unquoted security is valued at cost less any allowance for impairment.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of December 31, 2020:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
Exequiel D. Robles	₱19,294,881	₱2,035,000	(₱220,000)	21,109,881
Vicente R. Santos	7,042,826	1,680,000	(120,000)	8,602,826
Kristine May Robles	5,779,497	247,785	(272,785)	5,754,497
Aurora D. Robles	4,385,000	840,000	(60,000)	5,165,000
Antonio Robles	4,325,000	840,000	(60,000)	5,105,000
Orestes R. Santos	3,458,718	840,000	(60,000)	4,238,718
Mariza Santos Tan	2,986,618	840,000	(60,000)	3,766,618
Paul Michael Robles	3,392,723	600,000	(438,760)	3,553,963
Maria Rosario Santos	2,000,000	–	(5,000)	1,995,000
Mardon Santos	852,105	–	(5,000)	847,105

(Forward)

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
Pampolina Jeremy	₱429,393	₱	(₱5,000)	₱424,393
Michelle Robles	313,500	–	(5,000)	308,500
Emerita Jingle Punzalan	275,166	–	(5,000)	270,166
Jose Manuel Escalante	140,600	–	–	140,600
Ma. Lourdes Concepcion	58,081	95,643	(66,884)	140,600
David M. Dela Cruz	112,166	–	(5,000)	107,166
	₱54,846,274	₱8,018,428	(1,388,429)	₱61,476,273

These advances consist of advances for expenses and disbursements necessary in carrying out their functions in the ordinary course of business such as for selling and marketing activities, official business trips, emergency and cash on delivery (COD) purchases of materials, equipment and supplies, repair of Group's vehicles, model units and housing units, registration of titles, etc. and short term loans given to officers and employees. The advances will be liquidated when the purposes for which these advances were granted are accomplished or completed or deducted from the officers'/employees' salaries if not liquidated. No amounts were written-off during the year and all amounts are presented as current.

Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables (payables) with related parties which are eliminated in the consolidated financial statements as of December 31, 2020:

	Nature	Volume of Transactions	Receivable (Payable)	Terms
Sta. Lucia Homes, Inc. (SLHI)	Advances	87,500	(3,927,690)	Non-interest bearing and to be settled within one year
Santalucia Ventures Inc. (SVI)	Advances	23,898,553	180,144,608	Non-interest bearing and to be settled within one year
			176,216,918	

	Balance at beginning of period	Additions	Collections	Balance at end of period
SLHI	(4,015,190)	–	87,500	(3,927,690)
SVI	180,938,812	24,970,320	(25,764,524)	180,144,608
	176,923,622	24,970,320	**(25,677,024)**	176,216,918

The intercompany transactions between the Parent Company and the subsidiaries pertain to commission fees and advances for the pre-operations. There were no amounts written-off during the year and all amounts are expected to be settled within the year.

Related Party Transactions

Due from related parties

Below is the list of outstanding receivable from related parties of the Group presented in the consolidated statements of financial position as of December 31, 2020:

	Relationship	Nature	Balance at end of period
Sta. Lucia Realty and Development, Inc. (SLRDI)	Ultimate Parent Company	a, b, c, d, e, f, g	585,459,141
Sta. Lucia East Commercial Corporation (SLECC)	Affiliate	h	37,219,997
Various mall tenants	Affiliate	h	36,496,426
Others	Affiliates	a, i	921,832
			660,097,396

Nature of intercompany transactions

The nature of the intercompany transactions with the related parties is described below:

a. Consisting of non-interest bearing advances for working capital requirements with no fixed repayment terms.
b. Pertain to receivables from offsetting agreements with common suppliers with the Ultimate Parent Company.
c. Pertain to noninterest-bearing cash advances for various charges to and from affiliated companies for reimbursements of expenses on gasoline consumption of service vehicles, repairs and maintenance, supplies, rentals for project exhibits and advertising/marketing costs.
d. Represent monthly amortization payment from the buyers of the Group remitted to the Ultimate Parent Company.
e. Pertain to the reinstated due from the Ultimate Parent Company after the after rescission of deposit on land rights and subsequently entering into a deed of assignment of shares of stock.
f. Pertain to payable to Ultimate Parent Company for the Ultimate Parent Company's share in the sale of real estate properties of the Ultimate Parent Company but developed by the Parent Company.
g. Pertains to the due from Ultimate Parent Company for the assumption of the its bank loan
h. Pertain to uncollected rental income.
i. Pertain to non-interest bearing cash advances to officers and directors.

The outstanding balances of intercompany transactions are all due and demandable as of December 31, 2020.

Schedule D. Long-term debt

The Group has long term loans amounting to ₱9,998.78 million as of December 31, 2020.

Schedule E. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	16,000,000,000	8,196,450,000	–	6,701,005,767	1,424,994	1,494,019,239

STA. LUCIA LAND, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2020

Total Unappropriated Retained Earnings - January 1, 2020		₱4,193,381,746
Less:		
Treasury shares		(1,640,000,000)
Income closed to retained earnings and other reconciling items		1,610,901,005
TOTAL RETAINED EARNINGS, AVAILABLE FOR DIVIDEND DECLARATION, BEGINNING		₱4,164,282,751
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	1,707,946,287	
Less: Non actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		
- Accretion income	(115,352,087)	
Movement in deferred tax that reduced the amount of income tax expense	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Unrealized foreign exchange loss - net (except those attributable to cash)	–	
Net income actually earned during the period		1,592,594,200
Add (Less):		
Dividend declarations during the period		–
Appropriations of retained earnings during the period		–
Reversals of appropriations		–
Effects of prior period adjustments		–
Treasury shares - see beginning reconciliation		–
TOTAL RETAINED EARNINGS, AVAILABLE FOR DIVIDEND DECLARATION, ENDING		₱5,756,877,951

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Building a better
working world

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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
Sta. Lucia Land, Inc. and Subsidiaries
Penthouse Bldg. 3, Sta. Lucia Mall
Marcos Highway cor. Imelda Avenue
Cainta, Rizal

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Sta. Lucia Land, Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated May 17, 2021. 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 (PFRS) 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 PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

[redacted]

Michael C. Sabado
Partner

[redacted]

May 17, 2021

STA. LUCIA LAND, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2020 and 2019:

Financial ratios		**2020**	2019
Current ratio	Current assets / Current liabilities	**2.01:1**	2.66:1
Debt to equity ratio	Total liabilities / Stockholders' Equity	**0.97:1**	0.93:1
Debt to total assets ratio	Total liabilities / Total assets	**0.61:1**	0.60:1
Return on average assets	Net income attributable to Parent Company / Average assets	**3.89%**	4.42%
Book value per share	Stockholders' equity / Total number of shares	**₱2.16**	₱1.97
Earnings per share	Net income / Total number of shares	**₱0.21**	₱0.21
Debt service coverage ratio	EBITDA / Debt Service	**3:19:1**	3.30:1

STA. LUCIA LAND, INC. AND SUBSIDIARIES

CONGLOMERATE MAP

The following chart illustrates the Group's material shareholders and subsidiaries as of the date of this Offering Memorandum.

STA. LUCIA LAND INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Sta. Lucia Land, Inc.** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the year ended December 31, 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 auditor 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.

[redacted]

Vicente R. Santos,
Chairman of the Board

[redacted]

Exequiel D. Robles,
President & Chief Executive Officer

[redacted]

David M. Dela Cruz
EVP - Chief Financial Officer

Signed this ____________________ 16 JUN 2020

SUBSCRIBED AND SWORN to before me, this ____ day of June [redacted]
community tax certificates.

JERRY B. DELA CRUZ
Notary Public for Mandaluyong City

[redacted]

Doc. No. 314 ;
Page No. 64 ;
Book No. VI ;
Series of 2020

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Tel. Nos.: 681-7332 / 681-5220 to 21 Fax No.: 681-7467 [redacted] www.stalucialand.com.ph

Sta. Lucia Land, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2019 and 2018
And Years Ended December 31, 2019, 2018 and 2017

and

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Sta. Lucia Land, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of Sta. Lucia Land, 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 comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Real Estate Revenue Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the output method as the measure of progress in determining real estate revenue; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

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

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project development engineers) and managers. This is based on the quarterly project accomplishment report prepared by the management's project specialists (project development engineers) as approved by the project manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

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

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

The disclosures related to real estate revenue are included in Notes 3 and 4 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold.

For the application of the output method, in determining real estate revenue, we obtained an understanding of the Group's processes for determining the POC, and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of POC reports showing the completion of the major activities of project construction.

For the cost of sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

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

Other Information

Management is responsible for the Other Information. 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 consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 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 Other Information and we will not express any form of assurance conclusion thereon.
In connection with our audits of the consolidated financial statements, our responsibility is to read the Other Information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Michael C. Sabado.

SYCIP GORRES VELAYO & CO.

[redacted]

Michael C. Sabado
Partner

[redacted]

May 21, 2020

STA. LUCIA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 27)	**₱903,368,151**	₱1,064,532,966
Receivables (Notes 6, 19 and 27)	**2,368,876,780**	1,874,020,117
Contract assets (Notes 4 and 6)	**1,618,898,886**	701,474,368
Real estate inventories (Note 7)	**21,870,084,999**	18,303,658,167
Other current assets (Note 8)	**4,836,036,421**	5,204,059,201
Total Current Assets	**31,597,265,237**	27,147,744,819
Noncurrent Assets		
Installment contracts receivables - net of current portion (Notes 6 and 27)	**547,168,163**	494,776,775
Contract assets - net of current portion (Notes 4 and 6)	**1,241,636,221**	673,086,938
Investment properties (Note 10)	**5,597,417,842**	5,154,483,562
Property and equipment (Note 11)	**58,903,900**	44,535,128
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9 and 27)	**948,175,535**	985,036,600
Other noncurrent assets	**361,729,206**	216,496,836
Total Noncurrent Assets	**8,755,030,867**	7,568,415,839
	₱40,352,296,104	₱34,716,160,658

	December 31, 2019	December 31, 2018
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Notes 14 and 27)	**₱3,521,188,200**	₱3,608,000,000
Accounts and other payables (Notes 12, 19 and 27)	**4,784,226,831**	3,990,826,478
Income tax payable	**49,578,644**	19,894,432
Contract liabilities - current portion (Notes 4, 6 and 13)	**3,039,228,284**	2,017,661,692
Long-term debt - current portion (Note 14)	**467,000,000**	–
Total Current Liabilities	**11,861,221,959**	9,636,382,602
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 14 and 27)	**10,998,030,651**	9,998,775,240
Contract liabilities - net of current portion (Notes 4, 6 and 13)	**418,387,376**	45,409,032
Pension liabilities (Note 20)	**6,015,885**	5,496,160
Deferred tax liabilities - net (Note 24)	**954,645,124**	575,790,597
Total Noncurrent Liabilities	**12,377,079,036**	10,625,471,029
Total Liabilities	**24,238,300,995**	20,261,853,631
Equity		
Capital stock (Note 15)	**10,796,450,000**	10,796,450,000
Additional paid-in capital	**330,004,284**	330,004,284
Retained earnings (Note 15)	**6,138,559,844**	4,402,362,924
Treasury shares (Note 15)	**(1,640,000,000)**	(1,640,000,000)
Net unrealized gain on fair value of financial assets at FVOCI (Note 9)	**491,419,787**	568,768,194
Remeasurement losses on pension liabilities (Note 20)	**(2,438,806)**	(3,278,375)
Total Equity	**16,113,995,109**	14,454,307,027
	₱40,352,296,104	₱34,716,160,658

See accompanying Notes to Consolidated Financial Statements.

STA. LUCIA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Real estate sales (Notes 4, 21 and 22)	**₱5,871,496,779**	₱2,428,307,857	₱2,108,492,387
Rental income (Notes 22 and 23)	**898,291,953**	858,758,442	1,026,099,885
Interest income (Note 16)	**647,009,860**	300,973,297	160,047,822
Commission income	**93,579,168**	181,286,064	109,263,232
Construction income	–	–	1,612,700
Dividend income (Note 9)	**5,662,941**	7,157,683	7,157,683
Others (Note 17)	**294,247,077**	255,736,621	276,625,704
	7,810,287,778	4,032,219,964	3,689,299,413
COSTS OF SALES AND SERVICES			
Cost of real estate sales (Notes 7, 21 and 22)	**2,680,779,445**	959,025,588	860,882,958
Cost of rental income (Notes 10, 17 and 22)	**550,171,787**	553,974,130	583,993,393
Cost of construction	–	–	943,899
	3,230,951,232	1,512,999,718	1,445,820,250
SELLING AND ADMINISTRATIVE EXPENSES			
Commissions	**687,847,930**	324,666,305	243,968,182
Taxes, licenses and fees	**100,089,878**	70,826,085	98,388,080
Advertising	**107,850,974**	59,715,755	56,336,866
Salaries and wages and other benefits (Notes 19 and 20)	**82,484,066**	65,093,880	64,083,755
Representation	**71,117,895**	17,987,405	19,713,990
Repairs and maintenance	**62,952,804**	33,631,046	17,045,872
Professional fees	**42,787,122**	21,077,509	31,402,473
Depreciation and amortization (Note 11)	**23,054,735**	16,950,967	19,825,280
Utilities	**14,926,519**	7,476,177	21,894,451
Expected credit loss (Note 6)	**1,066,676**	1,393,944	2,550,308
Transportation, travel, office supplies and miscellaneous	**68,325,213**	51,579,006	49,608,318
	1,262,503,812	670,398,079	624,817,575
INTEREST EXPENSE (Notes 14 and 18)	**886,019,509**	706,707,500	487,638,932
INCOME BEFORE INCOME TAX	**2,430,813,225**	1,142,114,667	1,131,022,656
PROVISION FOR INCOME TAX (Note 24)	**694,616,305**	76,935,383	313,371,404
NET INCOME	**1,736,196,920**	1,065,179,284	817,651,252
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Unrealized gains (losses) on fair value of financial assets at FVOCI (Note 9)	**(77,348,407)**	37,007,331	–
Unrealized gains (losses) on fair value of available-for-sale financial assets (Note 9)	–	–	25,976,439
Remeasurement gains (losses) on pension liabilities - net of tax (Note 20)	**839,569**	(3,064,700)	359,984
	(76,508,838)	33,942,631	26,336,423
TOTAL COMPREHENSIVE INCOME	**₱1,659,688,082**	₱1,099,121,915	₱843,987,675
Basic/Diluted Earnings Per Share (Note 25)	**₱0.21**	₱0.12	₱0.09

See accompanying Notes to Consolidated Financial Statements.

STA. LUCIA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital stock (Note 15)	Additional paid-in capital (Note 15)	Treasury stock (Note 15)	Retained earnings	Net Unrealized gains on fair value of financial assets at FVOCI/AFS (Note 9)	Remeasurement losses on pension liabilities - net of tax (Note 20)	Total
				For the Year Ended December 31, 2019			
Balances as of January 1, 2019	**₱10,796,450,000**	**₱330,004,284**	**(₱1,640,000,000)**	**₱4,402,362,924**	**₱568,768,194**	**(₱3,278,375)**	**₱14,454,307,027**
Comprehensive income							
Net income	–	–	–	1,736,196,920	–	–	1,736,196,920
Other comprehensive income (loss)	–	–	–	–	(77,348,407)	839,569	(76,508,838)
Total comprehensive income	–	–	–	1,736,196,920	(77,348,407)	839,569	1,659,688,082
Balances as of December 31, 2019	**₱10,796,450,000**	**₱330,004,284**	**(₱1,640,000,000)**	**₱6,138,559,844**	**₱491,419,787**	**(₱2,438,806)**	**₱16,113,995,109**
				For the Year Ended December 31, 2018			
Balances as of January 1, 2018	10,796,450,000	330,004,284	(740,000,000)	3,337,183,640	531,760,863	(213,675)	14,255,185,112
Acquisition of treasury shares (750.00 million shares at ₱1.20 per share)	–	–	(900,000,000)	–	–	–	(900,000,000)
Comprehensive income							
Net income	–	–	–	1,065,179,284	–	–	1,065,179,284
Other comprehensive income (loss)	–	–	–	–	37,007,331	(3,064,700)	33,942,631
Total comprehensive income	–	–	–	1,065,179,284	37,007,331	(3,064,700)	1,099,121,915
Balances as of December 31, 2018	₱10,796,450,000	₱330,004,284	(₱1,640,000,000)	₱4,402,362,924	₱568,768,194	(₱3,278,375)	₱14,454,307,027
				For the Year Ended December 31, 2017			
Balances as of January 1, 2017	₱10,796,450,000	₱330,004,284	(₱740,000,000)	₱2,644,298,608	₱435,787,892	(₱573,659)	₱13,465,967,125
Comprehensive income							
Net income	–	–	–	817,651,252	–	–	817,651,252
Other comprehensive income	–	–	–	–	25,976,439	359,984	26,336,423
Total comprehensive income	–	–	–	817,651,252	25,976,439	359,984	843,987,675
Balances as of December 31, 2017	₱10,796,450,000	₱330,004,284	(₱740,000,000)	₱3,461,949,860	₱461,764,331	(₱213,675)	₱14,309,954,800

See accompanying Notes to Consolidated Financial Statements.

STA. LUCIA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,430,813,225**	₱1,142,114,667	₱1,131,022,656
Adjustments for:			
Interest expense (Notes 14 and 18)	**886,019,509**	706,707,500	487,638,932
Depreciation and amortization (Notes 10, 11 and 17)	**153,025,592**	127,996,499	170,772,505
Retirement expense (Note 20)	**1,719,109**	963,562	990,379
Loss on retirement of property and equipment	**–**	624,620	–
Dividend income (Note 9)	**(5,662,941)**	(7,157,683)	(7,157,683)
Gain on repossession of inventories (Notes 7 and 17)	**(29,602,737)**	(34,897,007)	(45,317,126)
Interest income (Notes 5, 6 and 16)	**(647,009,860)**	(300,973,297)	(160,047,822)
Operating income before changes in working capital	**2,789,301,897**	1,635,378,861	1,577,901,841
Changes in working capital:			
Decrease (increase) in:			
Receivables (Notes 6, 27 and 28)	**(222,547,038)**	1,077,120,947	(750,332,186)
Real estate inventories (Notes 7, 27 and 28)	**(984,884,383)**	(2,124,413,306)	(3,859,266,105)
Other current assets (Notes 8 and 28)	**(1,547,474,087)**	(2,814,418,048)	(297,137,183)
Contract assets (Notes 4, 6 and 27)	**(1,485,973,801)**	(1,374,561,306)	–
Increase (decrease) in:			
Accounts and other payables (Notes 12 and 28)	**(43,988,087)**	1,177,239,495	64,539,985
Contract liability (Notes 4 and 6)	**1,394,544,936**	839,657,228	–
Customers' deposits (Notes 13 and 28)	**–**	–	314,757,212
Net cash used in operations	**(101,020,563)**	(1,583,996,129)	(2,949,536,436)
Interest received	**324,267,244**	190,322,415	107,566,339
Income taxes paid	**(286,437,381)**	(244,563,492)	(128,425,760)
Net cash used in operating activities	**(63,190,700)**	(1,638,237,206)	(2,970,395,857)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Notes 10 and 28)	**(198,719,870)**	(104,639,672)	(151,302,353)
FVOCI/AFS (Notes 9 and 28)	**(40,487,342)**	–	(7,893,438)
Property and equipment (Notes 11 and 28)	**(48,305,973)**	(6,778,748)	(13,088,482)
Other noncurrent assets	**(145,232,370)**	(95,362,625)	(96,701,708)
Proceeds from sale of property and equipment (Notes 10 and 17)	**3,599,064**	–	–
Contribution to plan asset (Note 20)	**–**	(2,000,000)	(2,000,000)
Dividends received	**3,704,544**	1,958,397	–
Net cash used in investing activities	**(425,441,947)**	(206,822,648)	(270,985,981)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans, net of transaction costs (Note 14)	**7,422,038,200**	9,211,973,800	9,759,125,000
Payment of loans (Note 14)	**(6,082,100,000)**	(6,148,000,000)	(5,617,000,000)
Payment of interest (including capitalized borrowing costs)	**(1,012,405,178)**	(780,250,496)	(444,252,555)
Increase (decrease) in payable to related parties	**(65,190)**	(369,791)	29,298,263
Net cash provided by financing activities	**327,467,832**	2,283,353,513	3,727,170,708
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(161,164,815)**	438,293,659	485,788,870
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,064,532,966**	626,239,307	140,450,437
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱903,368,151**	₱1,064,532,966	₱626,239,307

See accompanying Notes to Consolidated Financial Statements.

STA. LUCIA LAND, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Sta. Lucia Land, Inc. (SLLI or the Parent Company) is a publicly-listed company incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 6, 1966 under the name Zipporah Mining and Industrial Corporation. On August 14, 1996, the Parent Company's Articles of Incorporation was amended.

Under the amendment, it changed the corporate name to Zipporah Realty Holdings, Inc. and it transferred the original primary purpose to secondary purpose from being a mining firm to a real estate company with the amended primary purpose to acquire by purchase, lease, and to own and develop and hold for investment and/or disposal, real estate of all kinds together with their appurtenances.

On July 16, 2007, the Parent Company changed its corporate name from Zipporah Realty Holdings, Inc. to Sta. Lucia Land, Inc.

Prior to expiration of its corporate life, the Company filed for a new 50-year corporate life which was approved by the SEC on June 16, 2016. The corporate life of the Parent Company expired on December 5, 2016. The approved new 50-year corporate life is until December 5, 2066.

The registered office address and principal place of business of the Parent Company and its subsidiaries (collectively referred to as the Group) is at Penthouse Bldg. 3, Sta. Lucia Mall, Marcos Highway cor. Imelda Avenue, Cainta, Rizal.

The Group is 81.75% owned by Sta. Lucia Realty and Development Inc. (SLRDI or the Ultimate Parent Company).

As delegated by the Board of Directors (BOD), the accompanying consolidated financial statements were approved and authorized for issue by the Executive Committee and Audit Committee on May 21, 2020.

2. Basis of Preparation and Other Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency and all values are rounded to nearest Philippine peso except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular Nos. 14-2018 and 3-2019.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019.

A subsidiary is an entity which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or 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 Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expense 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. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements include the financial statements of the Parent Company and the following wholly-owned subsidiaries. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	% of Ownership
Sta. Lucia Homes, Inc. (SLHI)	100.00%
Santalucia Ventures, Inc. (SVI)	100.00%

Changes in Accounting Policies and Disclosures

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 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The accounting for the lease arrangements is not expected to significantly change under PFRS 16.

  The adoption of this standard has no significant impact on the financial statements of the Group.

- 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

The 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. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Based on the Group's assessment, it has no uncertain tax treatments, accordingly, the adoption of this Interpretation has no 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.

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 the 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 is permitted. These amendments had no impact on the consolidated financial statements 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 Cost, 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.

  Upon adoption, the amendment did not have any effect on the Group's consolidated financial statements.

<u>Standards issued but not yet Effective</u>
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 will 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, 2023

- 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 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 with PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

The new standard is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred Effectivity

- *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.

  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 sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings.

- 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, *Business Combinations*.

  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, 2017, the Financial Reporting Standards Council postponed the original effective date of January 1, 2017 of the said amendments until the International Accounting Standards Board has completed 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.

  The Group is currently assessing the impact of adopting these amendments.

Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current and 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 twelve (12) months after the reporting period; or
- cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (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 primarily for the purpose of trading;
- it is due to be settled within twelve (12) months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.
Deferred 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 in bank earns interest at the prevailing bank deposit rate. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placement and are subject to insignificant risk of changes in value.

Fair Value Measurement
The Group measures financial instruments and non-financial assets at fair value at each balance sheet date. 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.

Assuming that market participants act in their economic best interest, 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.

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

"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 profit or loss under interest income, unless it qualifies for recognition as some other type of asset or liability.

In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

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

Financial Instruments

Date of recognition

The Group recognizes financial assets and liabilities in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

Recognition and Measurement of 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 of financial instruments

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at FVTPL.

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is referred to as the 'solely payments of principal and interest 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.

As of December 31, 2019, the Group's financial assets comprise of financial assets at amortized cost and financial assets at FVOCI.

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 though profit or loss

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

- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument 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 costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the consolidated statement of comprehensive income.

The Group classified cash and cash equivalents, installment contracts receivables and other receivables as financial assets at amortized cost (see Notes 5, 6 and 27).

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive 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.

The Group does not have debt instruments at fair value through OCI.

Financial assets at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI 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 comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets at fair value through OCI includes investments in quoted and unquoted equity instruments.

Dividends earned on holding these equity instruments are recognized in the consolidated statement of comprehensive income when the Group's right to receive the dividends is established in accordance with PFRS 15, unless the dividends clearly represent recovery of a part of the cost of the investment.

Financial assets at fair value through profit or loss
Financial assets at fair value though 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 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 amortised 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.

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 pay.

Reclassification of financial assets
The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted. A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

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.

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

For cash and cash equivalents, 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 lifetime ECL. The Group uses the ratings from the Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 120 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.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

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

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

As of December 31, 2019 and 2018, the Group's other financial liabilities consist of accounts and other payables (excluding statutory liabilities), short-term debt and long-term debt.

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 entered into by the Group 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 comprehensive income.

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

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

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

This category generally applies to short-term and long-term debts.

Other financial liabilities
Subsequent to initial recognition, the Group's financial liabilities are carried at amortized cost. Amortized cost is calculated by taking into account any other discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortization is included as finance costs in the consolidated statement of comprehensive income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

This category generally applies to the Group's accounts and other payables (excluding statutory liabilities).

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 comprehensive income.

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

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

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a liability on the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivables, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Group's financial instruments are of the nature of loans and receivables, available-for-sale (AFS) financial assets, and other financial liabilities.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in "Interest Income" in the statement of comprehensive income. The losses arising from impairment of such loans and receivables are recognized in the statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's trade receivables and noncurrent installment contracts receivables.

AFS financial assets
AFS financial assets are nonderiverative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Unrealized Gains (Losses) on Fair Value of Available-for-Sale Financial Assets" in the other comprehensive income section of the statement of comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as gain or loss on disposal in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair values of unquoted equity instruments, then instruments are carried at cost less any allowance for impairment losses.

Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS debt investments are reported as interest income using the EIR method.

Dividends earned on holding AFS equity investments are recognized in profit or loss as "Dividend Income" when the right to receive payment has been established.

AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

The Group's AFS financial assets pertain to both quoted and unquoted equity securities included under "Available-for-Sale Financial Assets" account in the statement of financial position. The Group's quoted equity securities pertain to investments in casinos and gaming company while unquoted securities pertain to investment in real estate company.

Other financial liabilities
Other financial liabilities pertain to financial liabilities not classified or designated as financial liabilities at FVPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process.

As of December 31, 2019 and 2018, the Group's other financial liabilities consist of accounts and other payables (excluding statutory liabilities), short-term debt and long-term debt.

Debt Issuance Costs

Debt issuance costs represent costs arising from fees incurred to obtain loans. Debt issuance costs are deducted against loans payable and are amortized over the terms of the related borrowings using the EIR method.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Financial assets carried at amortized costs, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets carried at fair value
For AFS financial assets, the Group assesses at each financial reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below their costs. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original 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 statement of comprehensive income is removed from other comprehensive income and recognized in profit and loss. In case of unquoted AFS, the Group obtains other basis of recoverable value such as the recent net asset value of the investee or forecast of financial performance of the investee. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

AFS financial assets carried at cost
If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

a. the right to receive cash flows from the asset has expired or
b. 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 the risks and rewards of the asset but has transferred the control of the asset.

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

Financial liability
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 profit or loss.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount 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.

<u>Real Estate Inventories</u>
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation or will be occupied by the Group, is held as inventory and is measured at the lower of cost and net realizable value (NRV). In few cases of buyer defaults, the Group can repossess the properties and held it for sale in the ordinary course of business at the prevailing market price. The repossessed properties are included in the "Real Estate Inventories" account in the consolidated statement of financial position. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts unless these exceed the recoverable values.

Cost includes the purchase price of land and those costs incurred for the development and improvement of the properties such as amounts paid to contractors for construction, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, 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 of completion and the estimated costs of sale.

<u>Other Current Assets</u>
Other current assets are carried at cost and pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. These include advances to contractors and lot owners which are carried at costs less impairment losses, if any, and deferred portion of commissions paid to sales or marketing agents that are yet to be charged to the period the related revenue is recognized.

<u>Investment Properties</u>
Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and that are not occupied by the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction in progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time that the relevant assets are available for their intended use.

Depreciation of investment properties is computed using the straight-line method over the estimated useful lives of the assets and included under "Costs of Rental Income" in the consolidated statement of comprehensive income. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties follow:

	Years
Land improvements	40
Buildings and improvements	40
Machinery and equipment	5 to 10

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

Transfers are made to investment properties 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 property 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.

The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group engages independent valuation specialist to assess the fair values as at December 31, 2019 and 2018. The Group's investment properties consist of land and building pertaining to properties, mall and office properties. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

<u>Property and Equipment</u>

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the assets are put into operational use and is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Office tools and equipment	3 to 5
Transportation equipment	5
Furniture and fixtures	3 to 5
Software	3 to 5

The useful life and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.
When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation and amortization is charged against current operations.

Interests in Joint Operations
Interests in joint operations represent one or more assets, usually in the form of real estate development, contributed to, or acquired for the purpose of the joint operations and dedicated to the purposes of the joint operations. The assets are used to obtain benefits for the operators. Each operator may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint operations do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the operators themselves. Each operator has control over its share of future economic benefits through its share of the jointly operations. Contribution of the Group to the joint operations are included in real estate inventories.

Impairment of Nonfinancial Assets
This accounting policy relates to the other current assets, investment properties and property and equipment.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. 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 comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge 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.

Customers' Deposits (Prior to January 1, 2018)
Customers' deposits represent payment received from customer accounts which have not yet reached the minimum required percentage for recording real estate sale transaction. When the level of required payment is reached, sales are recognized and these deposits and down payments will be applied against the related receivable.

Under the percentage of completion method of recognizing sales for real estate, when a real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, cash received from customers are recorded under "Customers' Deposits" account in the consolidated statement of financial position. It is also recognized when the cash received from customers is greater than the receivable from customers under percentage of completion. Subsequently, customers' deposits are applied against receivable from customers as a result of the recognition of sales through completion of the project.

Pension Liabilities
The Group has a funded, noncontributory defined benefit retirement plan covering substantially all of its qualified employees. The Group's pension liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit (PUC) method.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements 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 profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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 high quality corporate 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 profit or loss.

Remeasurements 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 OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. 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).

The 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.

<u>Equity</u>
The Group records capital stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds and charged to "Additional Paid-in Capital" (APIC) account. If APIC is not sufficient, the excess is charged against retained earnings.

Retained earnings represent accumulated earnings of the Group less dividends declared. The individual accumulated retained earnings of the subsidiaries are available for dividend declaration when they are declared by the subsidiaries as approved by their respective BOD.

<u>Treasury Shares</u>
Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in the profit and loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

<u>Revenue Recognition effective January 1, 2018</u>
Revenue from Contract with Customers
The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. 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 the principal in its revenue arrangements, except for the provisioning of water and electricity in its mall retail spaces and 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.

Real estate sales
The Group derives its real estate revenue from sale of lots, house and lot 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.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project development engineers) and managers. This is based on the quarterly project accomplishment report prepared by the management's project specialists (project development engineers) as approved by the project manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contracts receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

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

In case of sales cancellation due to the default of the buyers, the Group derecognizes the outstanding balance of contract asset or installment contracts receivable and recognize the repossessed property at fair value less cost to repossess, with any difference taken to profit or loss.

Cost of real estate sales
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as 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.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which changes are determined.

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.

Costs to obtain contract (Commission expense)
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 "Selling and administrative expense" account in the consolidated statement of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract Balances

Installment contracts receivables

Installment contracts receivables represent 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. Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Contract fulfillment assets

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable. The Group's contract fulfillment assets pertain to land acquisition costs.

The Group's contract fulfillment assets pertain to land acquisition costs.

Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization of contract fulfillment assets and cost to obtain a contract is included within "Cost of real estate sales" and "Selling and administrative expense", respectively.

A contract fulfillment asset or 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.

At each reporting date, the Group determines whether there is an indication that the contract fulfillment asset or capitalized cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Others
Other income is derived from processing the registration of properties of buyers, collection from surcharges and penalties for late payments which are recognized when services are rendered.

Other income also includes profit share in hotel operations which is derived from the Group's share in service income, net of operating expenses, from units in a specific property development which is being operated as a hotel by a third party. Income is recognized when earned.

Revenue Recognition prior to January 1, 2018

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In arrangements where the Group is acting as the principal to its customers, revenue is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue. The Group has concluded that it is acting as principal in all of its revenue arrangements except for its commission income where the Group is acting as an agent.

Real estate sales
For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial payment (buyers' equity) and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the percentage-of-completion method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, 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 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.

Any excess of collections over the recognized receivables are included in the "Customers' Deposits" account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' Deposits" account in the consolidated statement of financial position.

For sales transactions with its supplier whereby the Group sells subdivision land and condominium units in exchange for the delivery of the equivalent value of construction materials or services, the same revenue recognition policy as above is applied, except that buyer's equity is measured based on the fair value of materials and services received to date. For materials and services received to date, pending recognition of sale, these are presented as "Offsetting Payable" under accounts and other payables in the liabilities section of the consolidated statement of financial position until the criteria for revenue recognition are met.

Cost of real estate
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate inventories sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Commission expense
The commission is charged to expense when a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Others
Other income is derived from processing the registration of properties of buyers, collection from surcharges and penalties for late payments which are recognized as revenue upon collection.

Other income also includes profit share in hotel operations which is derived from the Group's share in service income, net of operating expenses, from units in a specific property development which is being operated as a hotel by a third party. Income is recognized when earned.

<u>Other Revenue and Income Recognition</u>
Rental income
Rental income arising from operating leases on investment properties is recognized in the consolidated statement of comprehensive income as follows:

- Based on certain percentage of net income of operator after adjustments on shared expenses, as provided in the terms of the contract.

- Based on a straight-line basis over the term of the lease plus a certain percentage of sales of the tenants, as provided under the terms of the contract.

Construction income
Construction income on housing units is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion of costs incurred to date compared to the estimated total cost of the contract.

Interest income
Interest income is recognized as it accrues using the EIR method.

Commission income
Commission income on promotions and marketing services is recognized when services are rendered.

Dividend income
Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

<u>Costs and Expenses</u>
Costs and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.
Costs and expenses are recognized in the consolidated statement of comprehensive income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Cost of rental income
Cost of rental income is mostly coming from depreciation, utilities and management fees. These are recognized as cost when incurred, except for depreciation which is recognized on a straight-line basis.

Cost of construction
Cost of construction includes all direct materials, labor costs and incidental costs related to the construction of housing units.

Expenses
"Selling and administrative expenses" are expenses that are incurred in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, property and equipment and investment properties. Selling and administrative expenses are costs incurred to sell real estate inventories, which include commissions, advertising and promotions, among others and costs of administering the business.

Expenses are recognized in the consolidated statement of comprehensive income as incurred based on the amounts paid or payable.

Borrowing Costs
Interest and other financing costs incurred during the construction period on borrowings used to finance the acquisition and construction of a qualifying asset are capitalized as to the appropriate asset accounts (included in "Investment Properties" account in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

Leases effective January 1, 2019
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

Leases effective prior to January 1, 2019
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the 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).

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

Income Taxes
Current tax
Current 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 have been enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Input VAT
The input value-added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT
Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group. If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under the "Other current assets" account.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating losses carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT over RCIT credits and unexpired NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and 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 reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are credited to or charged against income for the period.

Deferred tax relating to items recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Basic and Diluted Earnings Per Share

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount. As of December 31, 2019 and 2018, the Group has no potential diluted common shares.

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 22 to the consolidated financial statements.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of comprehensive income net of any reimbursement.

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

Events After the Reporting Date
Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group's position at the reporting date (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.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Real estate revenue recognition (Effective January 1, 2018)
Existence of a contract
The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation application, buyer's ledger and official receipts evidencing collections from buyer, would contain all criteria to qualify as a contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group for revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer.

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

Revenue recognition method and measure of progress
The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability of economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 20% would demonstrate commitment to pay.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project development engineers) and managers. This is based on the quarterly project accomplishment report prepared by the management's project specialists (project development engineers) as approved by the project manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

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

Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria - for installment contracts receivables, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financing covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Group, for economic contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes.
The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected credit loss calculation.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Real estate revenue recognition (Prior to January 1, 2018)
Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and the stage of completion of the project. In determining whether the sales price are collectible, the Group considers that initial and continuing investment of 20% of the net contract price for real estate development and sale would demonstrate the buyer's commitment to pay. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before allowing revenue recognition.

Distinction between real estate inventories and investment properties
The Group determines whether a property is classified as investment property or real estate inventories as follows:

Investment property comprises land and buildings (principally offices, commercial and retail property) 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. Transfers are made to investment properties 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.

Real estate inventories comprises property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

The Group's operating lease contracts are accounted for as cancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including the economic consequence to the lessee.

Recognizing deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profit to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

The Group did not recognize deferred tax assets from NOLCO amounting to ₱0.19 million and ₱12.09 million in 2019 and 2018 for the subsidiaries, respectively. The unrecognized deferred tax asset from NOLCO is not expected to be utilized by the subsidiaries as management assessed that there is no available taxable income against which the deferred income tax asset can be utilized (Note 24).

Determining taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 122 of PAS 1, Presentation of Financial Statements
Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined that there are no uncertain income tax treatments based on its assessment. Accordingly, the Interpretation did not have an impact on the consolidated financial statements of the Group.

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition and measure of progress for real estate sales (Effective January 1, 2018)
The Group's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of physical completion of real estate project.

Real estate sales amounted to ₱5,871.50 million and ₱2,428.31 million for the years ended December 31, 2019 and 2018, respectively.

Revenue and cost recognition on real estate (Prior to January 1, 2018)
The Group applies the percentage of completion (POC) method in determining real estate revenue and cost. The POC is based on the physical proportion of work and the cost of sales is determined based on the estimated project development costs applied with the respective project's POC.

For the year ended December 31, 2017, real estate sales under the percentage of completion amounted to ₱2,108.49 million, respectively, while cost of real estate sales amounted ₱860.88 million.

Evaluation of impairment of installment contracts receivables and contract assets

(Effective January 1, 2018)
The Group uses the simplified approach to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by project type and geography).

The vintage analysis (the model) 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 foreign exchange growth rate and bank lending rates. For instance, if forecast economic conditions (e.g., foreign exchange growth rate) are expected to appreciate over the next year, which can lead to decreased number of defaults since the buying power of the public will increase, 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 (e.g., foreign exchange growth rate and bank lending rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's installment contracts receivables and contract assets is disclosed.

The carrying values of installment contracts receivables and contract assets amounted to ₱1,293.15 million and ₱2,860.54 million, respectively, as of December 31, 2019 and ₱1,248.06 million and ₱1,374.56 million, respectively, as of December 31, 2018 (see Notes 4 and 6).

The Group recognized provision for expected credit losses amounting to ₱1.07 million and ₱1.39 million in 2019 and 2018, respectively.

Evaluation of impairment of contract receivables (Prior to January 1, 2018)
The Group maintains allowance for impairment losses at a level based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value.

The collective assessment would require the Group to group its receivables based on the credit risk characteristics (e.g., industry, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. The assessment also considers that title of the property passes on to the buyer only when the receivable is fully collected (Note 6).
Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

The Group recognized provision for bad debts amounting to ₱2.55 million in 2017.

Evaluation of net realizable value of inventories
Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the real estate inventories. In determining the recoverability of the inventories, management considers whether those inventories are slow or non-moving or if their selling prices have declined in comparison to the cost.

There was no provision for impairment nor reversal of impairment in 2019, 2018 and 2017.

Evaluation of impairment of other non-financial assets (except inventories)
The Group reviews other current assets, investment properties and property and equipment for impairment in value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's net selling price, except for assets where value in use computation is applied.

The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the asset. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs (Notes 10 and 11).

There was no provision for impairment nor reversal of impairment in 2019, 2018 and 2017.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

4. Revenue from Contracts with Customers

Disaggregated Revenue Information
The Group derives revenue from the transfer of goods and services over time and at a point in time, respectively, in different product types. The Group's disaggregation of each source of revenue from contracts with customers are presented below:

	2019	2018	2017
Real estate sales by product			
Lot only	**₱5,322,051,158**	₱1,959,255,620	₱1,594,053,265
Condominium units	**549,445,621**	469,052,237	514,439,122
Total revenue from contracts with customers	**₱5,871,496,779**	₱2,428,307,857	₱2,108,492,387

(Forward)

	2019	2018	2017
Geographical Location			
Luzon	**₱4,676,128,465**	₱1,640,424,023	₱1,549,039,295
Visayas	**758,037,244**	395,358,341	371,777,957
Mindanao	**437,331,070**	392,525,493	187,675,135
	₱5,871,496,779	₱2,428,307,857	₱2,108,492,387

The Group's real estate sales are revenue from contracts with customers which are recognized over time.

Contract balances are as follows:

As of **December 31, 2019**

	Current	**Noncurrent**	**Total**
Installment contracts receivables (Note 6)	**₱745,974,867**	**₱547,168,163**	**₱1,293,143,030**
Contract assets	**1,618,898,886**	**1,241,636,221**	**2,860,535,107**
Contract liabilities	**3,039,228,284**	**418,387,376**	**3,457,615,660**

As of December 31, 2018

	Current	Noncurrent	Total
Installment contracts receivables (Note 6)	₱753,282,880	₱494,776,775	₱1,248,059,655
Contract assets	701,474,368	673,086,938	1,374,561,306
Contract liabilities	2,017,661,692	45,409,032	2,063,070,724

In September 2019, the Philippine Interpretations Committee (PIC) issued additional guidance to the real estate industry on the implementation of PFRS 15, including guidance on the recording of the difference between the consideration received from the customer and the transferred goods to the customer (ie, measured based on percentage-of-completion). The PIC allowed real estate companies to recognize the difference as either a contract asset or unbilled receivable. If presented as a contract asset, the disclosures required under PFRS 15 should be complied with. Otherwise, the disclosures required under PFRS 9 should be provided.

The Group opted to retain its existing policy of recording the difference between the consideration received from the customer and the transferred goods to the customer as contract asset or contract liabilities.

Installment contracts receivables from real estate sales are collectible in equal monthly principal installments with various terms up to ten (10) years. Interest rates per annum range from 14% to 16%. Titles to the residential units sold are transferred to customers upon full payment of the contract price.

Contract assets represent the right to consideration for assets already delivered by the Group in excess of the amount recognized as installment contracts receivables. Contract assets is reclassified to installment contracts receivables when monthly amortization of the customer is already due for collection.

Contract liabilities 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 services transferred by the Group based on percentage-of-completion. The movement in contract liability arise mainly from revenue recognition of completed performance obligations.

Set-out below is the amount of revenue recognized from:

	2019	2018
Amounts included in contract liabilities at the beginning of the year	**₱205,197,531**	₱153,417,294
Performance obligation satisfied in previous years	**1,275,174,767**	572,619,787

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 a real estate unit may cover either (a) a lot; and (b) condominium unit. There is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the reservation application and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include downpayment of 10% to 20% of the contract price spread over a certain period (e.g., one to three months) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from one (1) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2019 and 2018 follows:

	2019	2018
Within one year	**₱1,866,070,692**	₱294,941,281
More than one year	**1,526,923,242**	31,960,161
	₱3,392,993,934	₱326,901,442

The remaining performance obligations expected to be recognized within one year and in more than one year relate to continuous development of the Group's real estate projects. The Group's subdivision lots are expected to be completed within 12 months, while the condominium units are expected to be completed within one to two years.

Rental agreements
The Group entered into lease agreements for its mall retail spaces and office spaces with the following identified performance obligations: (a) lease of space (b) provisioning of water and electricity and (c) provision of air conditioning and CUSA services (d) administration fee.

Revenue from lease of space is recognized on a straight-line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to settle within 7 to 20 days upon receipt of the bill. In case of delay in payments, a penalty of 3% to 36% per annum is charged for the amount due for the duration of delay. The lease arrangement would typically require a tenant to pay a security deposit equivalent to six (6) months rental to cover any defaults in payments, with the excess returned to the tenant.

Cost to Obtain Contract
As at December 31, 2019 and 2018, the rollforward of the cost to obtain contract included in the other current assets is as follows:

	2019	2018
Balance at beginning of year	**₱30,022,373**	₱15,219,338
Additions	**935,386,242**	222,372,787
Amortization	**(781,562,652)**	(207,569,752)
Balance at end of year	**₱183,845,963**	₱30,022,373

It is the Group's accounting policy, as set out in Note 2, that if a contract or specific performance obligation has exhibited marginal profitability or other indicators of impairment, judgement is applied to ascertain whether the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.

5. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱1,343,336**	₱1,383,018
Cash in banks	**902,024,815**	559,190,448
Cash equivalents	**–**	503,959,500
	₱903,368,151	₱1,064,532,966

Cash in banks earns interest at the prevailing bank deposit rates.

Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn annual interest ranging from 0.15% to 0.25%.

Interest income earned from cash in banks and cash equivalents amounted to ₱3.61 million, ₱11.95 million, and ₱1.09 million in 2019, 2018, and 2017, respectively (Note 16).

The Group has restricted cash in bank amounting ₱37.92 million as of December 31, 2019. This pertains to the cash deposited in an escrow trust account for socialized housing compliance and recorded under other current asset in the statements of the financial position.

6. Receivables and Contract Assets

This account consists of:

	2019	2018
Installment contracts receivable:		
Subdivision land	**₱937,859,043**	₱949,841,462
Condominium units	**355,283,987**	298,218,193
Receivable from related parties (Note 19):		
Trade	**549,860,022**	600,926,486
Non-trade	**721,832**	16,882,795
Advances to joint operators	**439,560,326**	138,649,152
Accrued interest receivable	**484,850,509**	162,107,893
Advances to officers, employees and agents (Note 19)	**111,454,568**	93,900,187
Receivable from tenants	**62,368,861**	50,335,764
Commission receivable	**21,033,399**	67,574,255
Dividend receivable (Note 9)	**14,566,771**	10,862,227
Others	**18,212,856**	27,585,636
	2,995,772,174	2,416,884,050
Less unamortized discount	**62,824,592**	32,251,195
	2,932,947,582	2,384,632,855
Less allowance for expected credit losses	**16,902,639**	15,835,963
	2,916,044,943	2,368,796,892
Less noncurrent installment contracts receivables	**547,168,163**	494,776,775
	₱2,368,876,780	₱1,874,020,117

As of December 31, 2019 and 2018, contract balances are as follows:

December 31, 2019

	Current	Noncurrent	Total
Installment contracts receivables	**₱745,974,867**	**₱547,168,163**	**₱1,293,143,030**
Contract asset	**1,618,898,886**	**1,241,636,221**	**2,860,535,107**
Contract liabilities	**3,039,228,284**	**418,387,376**	**3,457,615,660**

December 31, 2018

	Current	Noncurrent	Total
Installment contracts receivables	₱753,282,880	₱494,776,775	₱1,248,059,655
Contract asset	701,474,368	673,086,938	1,374,561,306
Contract liabilities	2,017,661,692	45,409,032	2,063,070,724

Installment contracts receivables represent the buyer's outstanding balance arising from real estate sales. These are collectible in equal monthly installments with various terms up to 10 years. These are carried at amortized cost. The corresponding titles to the subdivision land or condominium units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Annual interest rates on installment contracts receivables ranged from 14% to 16%. The total interest income recognized on these interest-bearing installment contracts receivables and contract assets amounted to ₱518.10 million, ₱236.30 million and ₱113.87 million in 2019, 2018 and 2017, respectively (Note 16).

As of December 31, 2019 and 2018, receivables from sales of subdivision land and condominium units with a nominal amount of ₱1,230.32 million and ₱1,215.81 million, respectively. The fair value of the receivables was obtained by discounting future cash flows using the applicable annual rates of similar types of instruments ranging from 6.25% to 8.16% and 6.25% to 7.74% in 2019 and 2018, respectively.

Movement in the unamortized discount arising from noninterest-bearing installment contracts receivable follow:

	2019	2018
Balance at beginning of year	**₱32,251,195**	₱38,167,673
Additions	**155,869,312**	46,805,523
Accretion from unamortized discount (Note 16)	**(125,295,915)**	(52,722,001)
Balance at end of year	**₱62,824,592**	₱32,251,195

Allowance for expected credit losses pertain to trade receivables. Movement follows:

	2019	2018
Balance at beginning of year	**₱15,835,963**	₱14,442,019
Provisions	**1,066,676**	1,393,944
Balance at end of year	**₱16,902,639**	₱15,835,963

Non-trade receivables from related parties include set-up of receivable due to returned deposit as a result of the rescission of the assignment of land rights (Note 15), sale of lots and assumption of loan of the Ultimate Parent Company (Note 19). These are noninterest-bearing, due and demandable.

Accrued interest receivable pertains to interest on installment contracts receivables and contract assets already earned but not yet received.

Commission receivable represents the uncollected and unbilled commission revenue for real estate sales services rendered to outside parties. This is equivalent to a certain percentage of the total contract price of properties sold.

Trade receivables from related parties include advances and uncollected rental income from related parties (Note 19). These are noninterest-bearing due and demandable.

Advances to joint operators pertain to cash advances to land owners or joint operators for the property or land that will be developed. These advances are liquidated by the joint operators once the purpose for which the advances were made had been accomplished and accordingly will be offset to the related liability to joint operators. These are noninterest-bearing due and demandable.

Advances to officers, employees and agents pertain to loans granted to the Group's employees which are collectible through salary deduction, are noninterest-bearing and have various maturity dates. This also includes advances for liquidation pertaining to cash advances to custodians for site costs and administrative expenses and advances to sales agents for marketing activities which are replenished upon liquidation.

Receivable from tenants represent the outstanding receivable arising from the lease of commercial spaces relating to the Group's mall operations and are collectible within 30 days from billing date.

Dividend receivable pertains to cash dividend declared from FVOCI and AFS financial assets not yet received.

Other receivables primarily represent the Group's uncollected development income from the Summerhill Executive Phase 4 project located in Antipolo, Rizal.

7. Real Estate Inventories

A summary of the movement in inventory is set out below:

	2019	2018
Balance at January 1	**₱18,303,658,167**	₱16,027,804,597
Construction and development costs incurred	**2,796,845,602**	2,698,077,364
Land acquired during the year	**3,525,913,178**	319,458,026
Repossessed real estate inventories	**125,344,396**	118,521,932
Capitalized borrowing costs	**147,244,381**	98,821,836
Transfers to investment property (Notes 10 and 28)	**(348,141,280)**	–
Costs of real estate sales	**(2,680,779,445)**	(959,025,588)
Balance at December 31	**₱21,870,084,999**	₱18,303,658,167

The real estate inventories are carried at lower of cost and net realizable value (NRV). There are no inventories recorded at lower than cost.

Real estate inventories recognized as cost of sales amounted to ₱2,680.78 million in 2019, ₱959.03 million in 2018 and ₱860.88 million in 2017 and are included as "Costs of real estate sales" in the consolidated statements of comprehensive income. Cost of real estate sales includes acquisition cost of land, amount paid to contractors, development costs and other costs attributable to bringing the real estate inventories to its intended condition.

Borrowing costs capitalized as part of real estate inventories, where activities necessary to prepare it for its intended use is ongoing, amounted to ₱147.24 million, ₱98.82 million and ₱60.61 million for the years ended December 31, 2019, 2018 and 2017, respectively. The capitalization rate used to determine the borrowing cost eligible for capitalization is 7.36%, 6.47% and 5.67% in 2019, 2018 and 2017, respectively.

The Group acquired various land for development amounting to ₱3,525.91 million and ₱319.46 million in 2019 and 2018, respectively. Initial stages of development are underway on these properties with a view to sell as subdivision, condominium or commercial space.

Repossessed real estate inventories arising from cancellation of sales due to buyers' default in payment represent previously sold lot inventories which are recorded back to inventories. These are recorded at fair value less cost to sell and cost to complete at the time of transfer and are held for sale in the ordinary course of business. Gain on repossession of real estate inventories amounted to ₱29.60 million, ₱34.90 million and ₱45.32 million in 2019, 2018 and 2017, respectively (Note 17).

There was no provision for nor reversal of impairment on real estate inventories in 2019 and 2018.

No inventories were pledged as collateral to borrowings of the Group as of December 31, 2019 and 2018.

8. Other Current Assets

This account consists of:

	2019	2018
Advances to contractors (Note 2)	**₱3,001,105,462**	₱1,836,235,152
Prepaid commission (Notes 2 and 4)	**920,308,655**	715,471,451
Advances to lot owners	**318,610,953**	1,998,736,136
Input VAT - net	**271,384,522**	394,170,768
Prepaid taxes	**220,724,285**	134,602,387
Advances to agents and brokers	**561,996**	54,969,920
Others	**103,340,548**	69,873,387
	₱4,836,036,421	₱5,204,059,201

Advances to contractors represent payments made for the development and construction of real estate inventories. The advances will be recouped against contractors' billings.

Prepaid commission pertains to payments to agents for sales commission on inventories that are not yet recognized as sales during the year. These are recorded as contract cost when paid. Contract cost is amortized using the percentage of completion method consistent with the measure of progress for revenue recognition.

Advances to lot owners consist of advance payments to land owners which will be applied against the selling price of the real properties that will be acquired. The application is expected to occur within 12 months after the reporting date.

Input VAT represents VAT on purchase of goods and services. This is presented net of output VAT. The remaining balance is recoverable in future periods.

Prepaid taxes pertain to creditable withholding taxes to be applied against future income tax payable and prepayments for registration of acquired lots.

Advances to agents and brokers pertain to unliquidated advances to operate branch offices within and outside the Philippines. These advances are liquidated within one year from the dates the advances were made.

Others consist mainly of prepayments related to mall operations and security deposits for short term leases, among others.

9. Financial Assets at Fair Value through OCI

Financial assets at FVOCI consists of investments in:

	December 31, 2019	December 31, 2018
Investment at cost	**₱456,755,748**	₱416,268,406
Net unrealized gain	**491,419,787**	568,768,194
At end of year	**₱948,175,535**	₱985,036,600

Movement in the investment at cost follows:

	December 31, 2019	December 31, 2018
Balance at beginning of year	**₱416,268,406**	₱416,268,406
Additions	**40,487,342**	–
At end of year	**₱456,755,748**	₱416,268,406

Movement in unrealized gain reflected in the other comprehensive income follows:

	December 31, 2019	December 31, 2018
Balance at beginning of year	**₱568,768,194**	₱531,760,863
Fair value change during the year	**(77,348,407)**	37,007,331
Balance at end of year	**₱491,419,787**	₱568,768,194

The following table provides the fair value hierarchy of the Group's financial assets at fair value through OCI which are measured at fair value as of December 31, 2019 and 2018:

December 31, 2019

			Fair value measurement using		
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Shares of stock:					
Quoted					
Gaming	December 31, 2019	**₱725,304,769**	**₱725,304,769**	**₱–**	**₱–**
Unquoted					
Real estate	December 31, 2019	**222,870,766**	**–**	**–**	**222,870,766**
		₱948,175,535	**₱725,304,769**	**₱–**	**₱222,870,766**

December 31, 2018

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:					
Quoted					
Gaming	December 31, 2018	₱825,504,831	₱825,504,831	₱–	₱–
Unquoted					
Real estate	December 31, 2018	159,531,769	–	–	159,531,769
		₱985,036,600	₱825,504,831	₱–	₱159,531,769

Dividends earned from financial assets at fair value through OCI amounted to ₱5.66 million and ₱7.16 million in 2019 and 2018, respectively, and from available-for-sale (AFS) financial assets amounted to ₱7.16 million in 2017.

10. Investment Properties

The rollforward analyses of this account follow:

	2019					
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
Cost						
Balances at January 1	₱1,766,045,000	₱44,259,000	₱3,860,643,218	₱412,409,000	₱404,157,132	₱6,487,513,350
Additions	–	–	14,839,310	–	202,641,145	217,480,455
Transfers from inventory (Notes 7 and 28)	36,484,188	–	220,923,410	–	90,733,682	348,141,280
Balances at December 31	1,802,529,188	44,259,000	4,096,405,938	412,409,000	697,531,959	7,053,135,085
Accumulated Depreciation						
Balances at January 1	–	12,171,227	908,449,561	412,409,000	–	1,333,029,788
Depreciation (Note 17)	–	1,106,475	121,580,980	–	–	122,687,455
Balances at December 31	–	13,277,702	1,030,030,541	412,409,000	–	1,455,717,243
Net Book Value	₱1,802,529,188	₱30,981,298	₱3,066,375,397	₱–	₱697,531,959	₱5,597,417,842

	2018					
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
Cost						
Balances at January 1	₱1,766,045,000	₱44,259,000	₱3,850,002,704	₱412,409,000	₱307,298,427	₱6,380,014,131
Additions	–	–	10,640,514	–	96,858,705	107,499,219
Balances at December 31	1,766,045,000	44,259,000	3,860,643,218	412,409,000	404,157,132	6,487,513,350
Accumulated Depreciation						
Balances at January 1	–	11,064,752	798,924,553	412,409,000	–	1,222,398,305
Depreciation (Note 17)	–	1,106,475	109,525,008	–	–	110,631,483
Balances at December 31	–	12,171,227	908,449,561	412,409,000	–	1,333,029,788
Net Book Value	₱1,766,045,000	₱32,087,773	₱2,952,193,657	₱–	₱404,157,132	₱5,154,483,562

The construction in progress represents capitalized costs arising from the construction of the Group's business center that is located in Cainta, Rizal and the mall project that is located in Panacan, Davao City. The expected completion date of the Sta. Lucia Business Center and Ponte Verde Mall is on July 31, 2020 and 2024, respectively.

Depreciation expense recognized as costs of rental income amounted to ₱122.69 million, ₱110.63 million and ₱150.35 million in 2019, 2018 and 2017, respectively (Note 17).

The transfers from inventory in 2019 represent several condominium units from a number of real estate projects that have been substantially leased to third parties starting in 2019. In 2018, these have been included under the real estate inventories.

The aggregate fair value of the Group's investment properties amounted to ₱7,563.00 million and ₱6,989.00 million as of December 31, 2019 and 2018, respectively.

The latest valuation was obtained in December 31, 2019. The fair values were determined by independent professionally qualified appraisers. The fair value of the investment properties disclosed in the financial statements is categorized within Level 3 of the fair value hierarchy.

The fair value of investment properties was determined using the Income Approach based on discounted cash flow analysis. Under the Income Approach, all expected cash flow from the use of the asset were projected and discounted using the appropriate discount rate reflective of the market expectations.

Borrowing cost capitalized to investment properties in 2019, 2018 and 2017 amounted to ₱18.76 million, ₱2.86 million and ₱3.81 million, respectively (Note 18). Capitalization rate used to determine the borrowing cost eligible for capitalization is 7.36%, 6.47%, and 5.67% in 2019, 2018 and 2017 respectively.

Rental income from investment properties amounted to ₱898.29 million, ₱858.76 million and ₱1,026.10 million in 2019, 2018 and 2017, respectively (Note 23). Cost of rental income from investment properties amounted to ₱550.17 million, ₱553.97 million, and ₱583.99 million in 2019, 2018 and 2017, respectively.

There are no investment properties as of December 31, 2019 and 2018 that are pledged as security for liabilities of the Group.

11. Property and Equipment

The rollforward analysis of this account follow:

	2019				
	Office Tools and Equipment	Transportation Equipment	Furniture and Fixtures	Software	Total
Cost					
Balances at January 1	₱24,023,004	₱84,582,657	₱12,156,911	₱38,333,814	₱159,096,386
Additions	30,408,662	16,468,861	1,428,450	–	48,305,973
Disposals	(2,121,106)	–	(1,670,637)	–	(3,791,743)
Balances at December 31	52,310,560	101,051,518	11,914,724	38,333,814	203,610,616
Accumulated Depreciation and Amortization					
Balances at January 1	13,500,415	55,631,523	7,312,369	38,116,951	114,561,258
Depreciation and amortization	6,169,999	22,597,992	1,375,914	194,232	30,338,137
Disposals	–	–	(192,679)	–	(192,679)
Balances at December 31	19,670,414	78,229,515	8,495,604	38,311,183	144,706,716
Net Book Value	₱32,640,146	₱22,822,003	₱3,419,120	₱22,631	₱58,903,900

	2018				
	Office Tools and Equipment	Transportation Equipment	Furniture and Fixtures	Software	Total
Cost					
Balances at January 1	₱21,739,499	₱81,632,410	₱11,714,186	₱38,333,814	₱153,419,909
Additions	2,283,505	4,052,518	442,725	–	6,778,748
Disposals	–	(1,102,271)	–	–	(1,102,271)
Balances at December 31	24,023,004	84,582,657	12,156,911	38,333,814	159,096,386
Accumulated Depreciation and Amortization					
Balances at January 1	11,073,685	44,074,661	6,401,909	36,123,636	97,673,891
Depreciation and amortization	2,426,730	12,034,513	910,460	1,993,315	17,365,018
Disposals	–	(477,651)	–	–	(477,651)
Balances at December 31	13,500,415	55,631,523	7,312,369	38,116,951	114,561,258
Net Book Value	₱10,522,589	₱28,951,134	₱4,844,542	₱216,863	₱44,535,128

Depreciation expense pertaining to mall operations recognized as costs of rental income amounted to ₱0.42 million, ₱0.41 million, ₱0.60 million in 2019, 2018 and 2017, respectively (Note 17).

As of December 31, 2019 and 2018, there are no property and equipment pledged to secure obligations of the Group.

12. Accounts and Other Payables

This account consists of:

	2019	2018
Contractors payable	**₱1,999,834,799**	₱1,661,633,075
Accounts payable	**1,422,039,020**	1,224,671,818
Payable to joint operators	**406,059,166**	354,452,771
Unearned income	**301,350,486**	162,483,512
Security deposit	**149,581,710**	82,611,338
Interest payable (Note 14)	**147,342,861**	147,228,975
Retentions payable	**118,078,977**	110,346,999
Withholding tax payable	**84,227,082**	77,074,921
Payable to related parties (Note 19)	**38,605,523**	45,811,724
Taxes and licenses payable	**34,203,865**	64,585,747
Accrued payables	**27,374,304**	15,221,243
Commission payable	**20,029,601**	66,594
Advances from shareholders (Note 19)	**16,346,102**	16,346,102
Others	**19,153,335**	28,291,659
	₱4,784,226,831	₱3,990,826,478

Contractors payable arises from progress billings received from contractors' completed work on the development of projects. These are non-interest bearing and are normally settled on 30 to 60-day terms.

The Group entered into offsetting agreements with its suppliers whereby the Group sells subdivision land and condominium units in exchange for the delivery of the equivalent value of construction materials or services in accordance with specifications stated in the purchase orders and as stated in the bid proposal. The fair value of materials and services received to date is recorded under "Accounts Payable" until the criteria for revenue recognition are met. These liabilities under offsetting arrangements amounted to ₱1,274.37 million and ₱1,126.69 million as of December 31, 2019 and 2018, respectively.

Accounts payable also include amounts due to suppliers which are noninterest-bearing and are normally settled on 15 to 60-day terms.

Joint operators payable pertains to the share of the joint operators collected by the Group and is normally remitted within 90 days from the date of collection.

Unearned income refers to advanced collections from buyers for the processing of transfer of title that is to be performed upon full payment of the contract price and advanced collection from tenants of various investment properties.

Commission payable represents amount payable to the Company's marketing arms and brokers/agents.

Security deposit pertains to the security deposit from tenants of the Company's leased properties

Retentions payable represents amounts withheld from payments to contractors as a guaranty for any claims against them. These are non-interest bearing and will be remitted to contractors at the end of the contract work, generally within one year.

Withholding tax payable consists of taxes withheld for remittance to the government.

Taxes and licenses payable are amounts due to local government units for the processing of registration fees and licenses related to the Group's land acquisitions.

Interest payable pertains to interest incurred on bank loans (Note 14). These are settled on a quarterly basis.

Accrued payables mostly include utilities pertaining to mall operations and unpaid salaries by the Group and are normally settled on 15 to 60-day terms.

Advances from shareholders are advances for the working capital on the Group's administrative expenses related to selling properties.

Other payables primarily consist of professional fees, documentary stamp tax, unearned rent, security deposits from tenants and mandatory employer's contributions which are noninterest-bearing and are normally settled within one year.

13. Contract Liabilities

This account consists of customers' reservation fees, downpayments and excess of collections over the installment contracts receivables recognized under the percentage of completion method. The excess of collections is applied against the installment contracts receivables that will be recognized in the succeeding years.

The Group requires buyers of the residential condominium units and subdivision lots to pay a minimum percentage of the total selling price before revenue recognition. These reservation fees and downpayments will be applied against the installment contracts receivables when revenue recognition is met.

As of December 31, 2018, the customers' deposit account amounting ₱2,017.66 million have been reported as contract liabilities in the consolidated statements of financial position under the modified retrospective approach.

14. Short-term and Long-term Debt

Short-term debt

Below are the details of the short-term debt:

	2019	2018
Loans under revolving credit facility	**₱2,202,700,000**	₱748,000,000
Single payment short-term loan	**978,488,200**	2,500,000,000
Loans under notes facility agreement	**340,000,000**	360,000,000
	₱3,521,188,200	₱3,608,000,000

Loans under revolving credit facility agreement follow:

	2019	2018
Beginning balance	**₱748,000,000**	₱2,575,000,000
Availments	**4,954,800,000**	1,823,000,000
Payments	**(3,500,100,000)**	(3,650,000,000)
Ending balance	**₱2,202,700,000**	₱748,000,000

In 2019, the Group obtained various unsecured short-term loans amounting to ₱4,704.80 million from various financial institutions and qualified institutional buyers of securities arranged by Multinational Investment Bancorporation (MIB). These have maturity periods ranging from 3 to 6 months, with annual interest rates ranging from 5.00% to 7.00%. Of the total ₱4,704.80 million loans availed, ₱2,866.10 million were settled in 2019. The remaining balance on these loans amounted to ₱1,838.70 million as of December 31, 2019.

In 2018, the Group obtained various unsecured short-term loans amounting to ₱1,423.00 million from various financial institutions and qualified institutional buyers of securities arranged by MIB. These have maturity periods ranging from 3 to 6 months, with annual interest rates ranging from 3.75% to 6.00%. Of the total ₱1,423.00 million loans availed, ₱384.00 million and ₱986.00 million were settled in 2019 and 2018. The remaining balance on loans amounted to ₱53.00 million as of December 31, 2019.

In November and December 2019, unsecured 3-months loans were borrowed from Bank of Commerce amounting to ₱100.00 million and ₱150.00 million, respectively. These loans bear interest rates per annum of 5.75%, respectively.

In August 2018, a credit facility amounting ₱250.00 million was granted by Bank of Commerce, from which ₱150.00 million was drawn by the Group. This bears annual interest of 5.48%. This was settled in November 2018.

In December 2018, the credit facility amounting ₱250.00 million which bears annual interest rate of 6.00% was fully drawn during the same year. Of the total ₱250.00 million loans availed, ₱100.00 million and ₱150.00 million were settled in August 2019 and December 2019 with an annual interest rate of 7.00%.

In December 2017, two (2) unsecured 5-month loans were borrowed from Maybank Philippines, Inc. amounting ₱150.00 million and ₱100.00 million with interest rates per annum of 4.28% and 4.20%, respectively. Both of these loans were paid in 2018.

In 2017, various unsecured short-term loans amounting to ₱2,194.00 million were obtained from various financial institutions and qualified institutional buyers of securities arranged by MIB. These have maturity periods ranging from 3 to 6 months, with annual interest rates ranging from 3.75% to 6.75%. Of the total ₱2,194.00 million loans availed, ₱1,264.00 million were settled in 2018. Total outstanding loans amounted to ₱61.00 million as of December 31, 2019 and December 31, 2018.

In August and November 2017, three (3) unsecured 1-year term loans were obtained amounting ₱300.00 million, ₱500.00 million and ₱200.00 million with annual interest rates of 3.75%, 4.47% and 3.75%, respectively. These loans were paid in full in 2018.

Single payment short-term loan

The rollforward analyses of single payment short-term loan follow:

	2019	2018
Beginning balance	**₱2,500,000,000**	₱2,700,000,000
Availments	**978,488,200**	1,500,000,000
Payments	**(2,500,000,000)**	(1,700,000,000)
Ending balance	**₱978,488,200**	₱2,500,000,000

On March 29, 2019, the Group borrowed a one-year unsecured loan from China Bank Corporation amounting ₱978.49 million with annual interest rate of 7.63%. The loan is outstanding as of December 31, 2019.

On October 25, 2018, the Group borrowed a six-month unsecured loan from Rizal Commercial Banking Corporation (RCBC) amounting ₱1,500.00 million with annual interest rate of 6.33%. The loan was paid on April 3, 2019.

The Group obtained a clean loan from Amalgamated Investment Bancorporation (AIB) which was extended for another one (1) year on June 19, 2017. The loan amounted to ₱200.00 million with an annual interest rate of 5% and was paid in full upon maturity on July 31, 2018.

On August 3 and August 14, 2017, the Group obtained a one-year unsecured loan from RCBC with annual interest rate of 4.25% totaling ₱2,000.00 million. Of the total ₱2,000.00 million loan availed, ₱1,000.00 million were settled in 2018. The remaining balance on this loan amounting to ₱1,000.00 million were paid on August 4, 2019 with an annual interest rate of 4.25%.

On September 9, 2016, the Group obtained a clean loan credit line from RCBC amounting ₱500.00 million for working capital purposes with an annual interest of 4.00% payable upon maturity on September 4, 2017. On September 4, 2017, the Group extended the loan for another 1-year payable on August 30, 2018 at 4.25% annual interest. This was paid in full upon maturity on August 30, 2018.

Loans under notes facility agreement

Movement in the account is as follows:

	2019	2018
Beginning balance	**₱360,000,000**	₱200,000,000
Availments	**–**	958,000,000
Payments	**(20,000,000)**	(798,000,000)
Ending balance	**₱340,000,000**	₱360,000,000

In December 2018, the Group availed a 3-month unsecured loans from Banco De Oro (BDO) amounting ₱260.00 million, with interest rates ranging from 4.88% to 6.50% per annum. Of the total ₱260.00 million loans, ₱20.00 million were settled in 2019. The remaining ₱240.00 million loan was renewed upon maturity and remained outstanding as of December 31, 2019.

In August and September 2018, the Group availed a 3-month unsecured loans from BDO amounting ₱100.00 million and ₱200.00 million, respectively. In October 2018, the ₱200.00 million loan was settled. The ₱100.00 million loan payable was renewed upon maturity and remained outstanding as of December 31, 2019.

In February 2018, the Group availed from BDO an unsecured loan amounting ₱398.00 million with annual interest rates ranging from 4.63% to 4.88%. The loans were paid in full in 2018.

On September 30, 2016, the Group entered into another Local Currency Notes Facility with BDO, whereby the Group was granted an unsecured credit line facility amounting to ₱400.00 million. The Group availed ₱198.00 million and ₱200.00 million of the credit line on July 29, 2016 and November 10, 2016, respectively. The interest is payable on a monthly basis at 4.66% per annum for the ₱198.00 million and 4.25% per annum for the ₱200.00 million loan, respectively. On August 9, 2017, the ₱198.00 million principal and accrued interest thereon were fully paid. The ₱200.00 million loan was settled in 2018.

Long-term debt

Below are the details of the long-term debt:

	2019	2018
Bonds		
Series B Bonds	**₱2,000,000,000**	₱2,000,000,000
Loans under term facility agreement	**9,538,000,000**	8,100,000,000
	11,538,000,000	10,100,000,000
Less: current portion of loans under term facility agreement	**(467,000,000)**	–
	11,071,000,000	10,100,000,000
Less: unamortized debt issuance cost	**(72,969,349)**	(101,224,760)
	₱10,998,030,651	₱9,998,775,240

The rollforward analyses of the long-term debt follow:

	2019	2018
Beginning balance	**₱10,100,000,000**	₱5,100,000,000
Availments	**1,500,000,000**	5,000,000,000
Payments	**(62,000,000)**	–
	11,538,000,000	10,100,000,000

In July and September 2019, 5-year unsecured loans were borrowed from Bank of the Philippines Islands amounting ₱1,000.00 million and ₱500.00 million, respectively. These loans bear interest rates of 6.15% per annum.

In 2018, one (1) 7-year Corporate Notes Facility was drawn by the Group from China Banking Corporation, Development Bank of the Philippines, China Bank Savings and Maybank Philippines, Inc. totalling ₱2,000.00 million, ₱2,000.00 million, ₱500.00 million and ₱500.00 million, respectively. The 7-year Corporate Notes Facility bears annual interest rates of 6.85% for the 1st to 2nd year and 7.80% for the 3rd to 7th year.

On June 22, 2017, the Group exercise its Early Redemption Option for the Series A unsecured Fixed-Rate Peso bonds in the amount of ₱2,000.00 million at the early redemption price of One Hundred and One Percent (101%) of the principal amount, plus all accrued interest on the bonds at the Early Redemption Option Date. This was paid using the proceeds from the ₱3,100.00 million, ten (10) year Corporate Note Facility with financial institutions, with a maximum of nineteen (19) investors, ₱2,100.00 million of which was availed by the Group during the first half in 2017. This note is intended for the strategic land banking, capital expenditures for ongoing and new projects, and general corporate purposes.

On October 27, 2017, the remaining ₱1,000.00 million of the ten (10) year Corporate Note Facility was drawn by the Group. The ten (10) year Corporate Note Facilities bear annual interest rates at 6.85% for the 1st to 5th year and 7.14% for the 6th to 10th year. Of the ₱3,100.00 million loans availed, ₱31.00 million and ₱31.00 million were settled in July and October 2019, respectively.

On December 22, 2015, the Group issued a total of ₱4,000.00 million Unsecured Fixed-Rated Peso bonds, broken down into ₱2,000.00 million Series A Bonds due in 2018 at a fixed rate equivalent to 6.73% per annum and a ₱2,000.00 million Series B Bonds due in 2021 at a fixed rate equivalent to 6.72% per annum. The Bonds have been rated by the Credit Rating and Investors Services Philippines Inc. on October 16, 2015. The bonds shall constitute the direct, unconditional, and unsecured obligations of the Issuer and shall at all times rank pari passu and ratably without preference among themselves and among any present and future unsecured obligations of the Issuer, except for any statutory preference or priority established under Philippine law.

The proceeds of the bonds were used by the Group to fully refinance existing secured loans, for capital expenditure requirements, and/or general corporate purposes.

The Bonds is repaid at par (or 100% of face value), plus any outstanding interest, on the relevant maturity date of each series or on December 22, 2018 for the Series A Bonds and on March 22, 2021 for the Series B Bonds, unless the Group exercises its early redemption option for the Series A or Series B Bonds.

Interest on the Bonds is payable quarterly in arrears every March 22, June 22, September 22 and December 22 of each year, starting on March 22, 2016.

The Group is required to maintain a maximum of debt-to-equity ratio of 1.50:1:00, a minimum current ratio of 2.00:1.00 and a minimum debt service coverage ratio of 1.25. The Group has complied with the debt covenants.

Movement in unamortized debt issuance cost for long-term debt follows:

	2019	2018
Beginning balance	**₱101,224,760**	₱60,336,946
Additions	**11,250,000**	69,026,200
Amortization	**(39,505,411)**	(28,138,386)
Ending balance	**₱72,969,349**	₱101,224,760

Interest expense on short-term and long-term debts amounted to ₱1,047.40 million, ₱800.88 million and ₱505.77 million in 2019, 2018 and 2017, respectively (Note 18). Of the total interest expense, amortization of transaction cost on short-term and long-term loans amounted to ₱39.51 million, ₱28.14 million, ₱18.97 million in 2019, 2018 and 2017, respectively, and included under "Interest expense" in the consolidated statements of comprehensive income (Note 18).

Borrowing costs capitalized as part of real estate inventories and investment properties in 2019, 2018 and 2017 amounted to ₱166.00 million, ₱101.68 million and ₱64.42 million, respectively (Notes 7, 10 and 18).

15. Equity

The capital stock as of December 31, 2019 and 2018 consists of:

	Shares	Amount
Par value per share - ₱1.00		
Authorized common shares	**16,000,000,000**	**₱16,000,000,000**
Issued shares	**10,796,450,000**	**10,796,450,000**
Treasury shares	**2,600,000,000**	**1,640,000,000**
Outstanding shares	**8,196,450,000**	**8,196,450,000**

Registration Track Record:

a) The Parent Company was incorporated as Zipporah Mining and Industrial Corporation ('Zipporah Mining') on December 6, 1966 as a mining firm which was amended to a real estate developer.

b) On September 14, 1987, the Parent Company launched its Initial Public Offering where a total of 20,000.00 million common shares were offered at an offering price of ₱1.00 per share.

c) Subject to a restructuring program, the BOD of the Parent Company approved on November 22, 1995 the offering of up to 1,000.00 million shares of stock out of the increase in the authorized capital stock from ₱50.00 million to ₱2,000.00 million at a par value of ₱1.00 to a group of investors led by the Ultimate Parent Company. This was subsequently approved and ratified by the stockholders in a Special Stockholders' Meeting on December 18, 1995.

d) On December 18, 1995, the stockholders of the Parent Company approved a number of changes in the corporate structure as part of its diversification scheme. These were:
   1. The change of its name to Zipporah Realty Holdings, Inc.;
   2. The increase in the number of directors from nine to eleven;
   3. The waiver of the pre-emptive rights over the future issuances of shares;
   4. The change in the primary and secondary purposes;
   5. The change in the par value of its shares from ₱0.01 to ₱1.00; and
   6. The increase in its authorized capital stock to ₱2,000.00 million.

   The first four changes were approved by the SEC on August 14, 1996 while the last two corporate acts were approved on January 22, 1997.

e) On June 15, 2007, the BOD approved the following resolutions and was ratified by the stockholders on July 16, 2007:
   1. Change in Corporate name to Sta. Lucia Land, Inc.;
   2. Increase in authorized capital stock of the Parent Company from ₱2,000.00 million divided into 2,000.00 million shares to ₱16,000.00 million divided into 16,000.00 million shares or an increase of ₱14,000.00 million with a par value of ₱1.00 per share;
   3. Subscription of the Ultimate Parent Company of up to 10,000.00 million shares out of the increase in the Parent Company's authorized capital stock; and
   4. Subscription of the Ultimate Parent Company to such shares shall be at par value, and the consideration for which shall be the assignment and transfer by the Ultimate Parent Company to the Parent Company of assets acceptable to the Parent Company at a reasonable discount on the fair market value of such assets. The fair value market value was determined by independent professionally qualified appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

The above resolutions were ratified by the Parent Company's shareholders on July 16, 2007.

f) On December 8, 2007, the Parent Company and the Ultimate Parent Company executed various deeds of assignment wherein the Ultimate Parent Company assigned all its rights, title and interest to certain properties consisting of investment properties (Sta. Lucia East Grand Mall) amounting to ₱4,710.00 million and certain parcels of land amounting to ₱6,018.50 million and assumption of mortgage in the investment properties of ₱723.60 million. The investments of the Ultimate Parent Company through the assignment of various properties, net of mortgage assumed, were issued with shares of stock totaling ₱10,000.00 million.

The Group has 263 existing certified shareholders as at December 31, 2019 and 2018.

Treasury Shares

In 2010, the Parent Company had intercompany receivables from the Ultimate Parent Company amounting ₱1,029.88 million. The receivables ballooned to ₱1,358.69 million as of December 31, 2011. As full settlement of the receivables amounting to ₱1,358.69 million, the Ultimate Parent Company assigned shares of stocks of "Saddles and Clubs Leisure Park" to the Parent Company.

Also, the Parent Company accumulated ₱442.42 million receivables from Sta. Lucia East Commercial Corporation (SLECC) arising from uncollected rental income.

As of March 31, 2014, the Parent Company's recognized assets consisting of the "Saddles and Clubs Leisure Park" amounted to ₱1,358.69 million and receivables from SLECC amounted to ₱442.42 million. In aggregate, the assets amounted to ₱1,801.11 million.

In July 2014, the Parent Company agreed to enter into an agreement with the Ultimate Parent Company to convert portion of the Ultimate Parent Company's investments into treasury shares as settlement of the assets recognized by the Parent Company aggregating ₱1,801.11 million (Note 19). Accordingly, on July 8, 2014, the Ultimate Parent Company and the Parent Company executed a deed of assignment.

Under the deed of assignment, the parties agreed to rescind its previous arrangement with respect to the assignment of the "Saddles and Clubs Leisure Park" project which resulted in the reversion of the assignment and the reinstatement of the receivables from the Ultimate Parent Company amounting ₱1,358.69 million. The parties also agreed to assign the SLECC receivables of ₱442.42 million to the Ultimate Parent Company. As a result, the total amount of receivables from the Ultimate Parent Company amounted to ₱1,801.11 million.

In order to fully settle the receivables from the Ultimate Parent Company amounting ₱1,801.11 million as of March 31, 2014, the Ultimate Parent Company agreed to assign, convey and transfer in favor of the Parent Company 3,000.00 million shares out of the Ultimate Parent Company's total shareholdings in the Parent Company. Upon exercise, the shares will become treasury shares.

The parties agreed to execute the assignment of the 3,000.00 million of the Parent Company shares in 2 tranches:

- Tranche 1 - 2,250.00 million shares, which covered ₱900.00 million of the advances, were transferred within 30 days from the signing of the Deed of Assignment. The Parent Company successfully executed Tranche 1 in September 2014.
- Tranche 2 - 750.00 million shares, which shall cover the remaining ₱901.11 million of the advances, to be transferred within 1 year from the date of the Deed of Assignment, or when the Parent Company accumulates more than ₱901.11 million in unrestricted retained earnings, whichever is earlier.

On December 22, 2015, the Group's 400.00 million treasury shares costing ₱0.40 per share were reissued at ₱0.75 per share, thus increasing the outstanding shares to 8,946.45 million.

On December 27, 2018, pursuant to the Deed of Assignment, the Ultimate Parent Company and the Parent Company executed Tranche 2 in the Deed of Assignment. The Parent Company acquired 750.00 million treasury shares at a price of ₱1.20 per share to settle the ₱900.00 million advances under Tranche 2.

Retained Earnings

In accordance with SRC Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Group's retained earnings available for dividend declaration as of December 31, 2019, amounted to ₱4,745.11 million.

The retained earnings is restricted to dividends to the extent of shares held in treasury amounting ₱1,640.00 million.

Capital Management

The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its credit rating and allows it the financial flexibility, while providing sufficient cushion to absorb cyclical industry risks. The Group manages its capital structure and make adjustments to it, in light of changes in economic decisions.

The Group's sources of capital include all the components of the equity totaling ₱16,114.00 million and ₱14,454.31 million as of December 31, 2019 and 2018, respectively.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. The Group includes within debt, interest-bearing loans and external borrowings whether in the form of short-term notes or long-term notes and bonds.

The following table shows how the Group computes for its net debt-to-equity ratios as of December 31, 2019 and 2018:

	2019	2018
Debt	**₱14,986,218,851**	₱13,606,775,240
Less: Cash and cash equivalent (Note 5)	**903,368,151**	1,064,532,966
Net debt	**14,082,850,700**	12,542,242,274
Equity	**16,113,995,109**	14,454,307,027
Net debt-to-equity ratio	**0.87:1**	0.87:1

Financial risk assessment
The Group's financial condition and operating results would not be materially affected by the current changes in credit, interest and liquidity conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

16. Interest Income

This account consists of:

	2019	2018	2017
Interest income from:			
Installment contracts receivables and contract assets (Note 6)	**₱518,104,433**	₱236,303,281	₱113,874,018
Accretion from unamortized discount (Note 6)	**125,295,915**	52,722,001	45,086,327
Cash in banks and cash equivalents (Note 5)	**3,609,512**	11,948,015	1,087,477
	₱647,009,860	₱300,973,297	₱160,047,822

17. Cost of Rental Income and Other Revenue

Cost of rental income consists of:

	2019	2018	2017
Utilities	**₱366,324,783**	₱369,485,451	₱360,788,328
Depreciation (Notes 10 and 11)	**123,109,844**	111,045,532	150,947,225
Management fee (Note 19)	**42,856,491**	55,982,602	55,856,832
Carpark maintenance	**8,728,119**	9,515,899	9,906,847
Manpower	**7,219,336**	5,906,705	5,118,191
Others	**1,933,214**	2,037,941	1,375,970
	₱550,171,787	₱553,974,130	₱583,993,393

Other revenue consists of:

	2019	2018	2017
Surcharges and penalties	**₱93,357,906**	₱75,633,291	₱63,301,996
Processing and registration fee	**84,899,543**	58,193,015	102,728,411
Profit share in hotel operations	**54,533,185**	47,175,695	19,928,680
Gain from forfeited deposits (Note 7)	**27,741,788**	25,909,716	45,349,491
Gain on repossession of inventories (Note 7)	**29,602,737**	34,897,007	45,317,126
Others	**4,111,918**	13,927,897	–
	₱294,247,077	₱255,736,621	₱276,625,704

Others mainly consists of income from nonrefundable collection from delinquent buyers and foreign exchange gains and losses.

18. Interest Expense

Interest expense consists of:

	2019	2018	2017
Interest expense on loans (Note 14)	**₱904,427,702**	₱658,880,663	₱305,458,139
Interest expense on bonds (Note 14)	**142,974,758**	141,995,997	200,307,682
Loss on pretermination of loans/bonds	**–**	–	43,086,804
Other financing charges	**4,622,015**	7,512,222	3,209,297
	1,052,024,475	808,388,882	552,061,922
Less capitalized borrowing costs (Notes 7, 10 and 14)	**(166,004,966)**	(101,681,382)	(64,422,990)
	₱886,019,509	₱706,707,500	₱487,638,932

19. Related Party Transactions

The related amounts and outstanding balances from related party transactions in 2019 and 2018 follow:

	2019			
	Volume	**Receivable**	**Terms**	**Conditions**
Trade receivables (Note 6)				
Ultimate Parent Company (SLRDI)				
Sharing of expenses, collection from buyers collected by SLRDI, unremitted share of SLRDI, marketing fee	**₱147,593,078**	**₱448,224,436**	Due and demandable; noninterest-bearing	Unsecured; no impairment (Note 15)
Affiliate (SLECC)				
Rental and management fee (Note 15) (d)	**363,552,114**	**44,362,520**	Due and demandable; noninterest-bearing	Secured; no impairment
Affiliate (Mall Tenants)				
Rental income (d)	**31,424,706**	**57,273,066**	Due and demandable; noninterest-bearing	Unsecured; no impairment
		549,860,022		
Non-trade receivables (Note 6)				
Affiliate (Marketing Arm)				
Advances (e)	**2,000,000**	**721,832**	Due and demandable; noninterest-bearing	Unsecured; no impairment
		721,832		
Key officers and directors (Note 6) (f)	14,274,711	64,522,622	Due and demandable; noninterest-bearing	Unsecured; no impairment
		₱615,104,476		
Trade payables (Note 12)				
Ultimate Parent Company (SLRDI)				
Advances	**–**	**38,605,523**	Payable on demand; noninterest bearing	Unsecured
Advances from shareholders				
Advances	**–**	**16,346,102**	Payable on demand; noninterest-bearing	Unsecured
		₱54,951,625		

	2018			
	Volume	Receivable	Terms	Conditions
Trade receivables (Note 6)				
Ultimate Parent Company (SLRDI)				
Sharing of expenses, collection from buyers collected by SLRDI, unremitted share of SLRDI, marketing fee	₱60,326,425	₱550,397,266	Due and demandable; noninterest-bearing	Unsecured; no impairment (Note 15)
Affiliate (SLECC)				
Rental and management fee (Note 15) (d)	390,588,883	16,183,229	Due and demandable; noninterest-bearing	Secured; no impairment
Affiliate (Mall Tenants)				
Rental income (d)	65,418,367	34,345,991	Due and demandable; noninterest-bearing	Unsecured; no impairment
		600,926,486		
Non-trade receivables (Note 6)				
Affiliate (Marketing Arm)				
Advances (e)	216	16,882,795	Due and demandable; noninterest-bearing	Unsecured; no impairment
		16,882,795		
Key officers and directors (Note 6) (f)	10,964,537	41,927,584	Due and demandable; noninterest-bearing	Unsecured; no impairment
		₱659,736,865		
Trade payables (Note 12)				
Ultimate Parent Company (SLRDI)				
Advances	–	45,811,724	Payable on demand; noninterest bearing	Unsecured
Advances from shareholders				
Advances	–	16,346,102	Payable on demand; noninterest-bearing	Unsecured
		₱62,157,826		

The Group in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. These accounts are noninterest-bearing and are generally unsecured. The outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed-upon by the parties.

The significant transactions with related parties follow:

a. The Parent Company, in the normal course of business, has transactions with the Ultimate Parent Company consisting of non-interest bearing advances for working capital requirements with no fixed repayment terms. These are transactions and related receivable arising from sale of lots to Ultimate Parent Company. As discussed in Note 15, on December 27, 2018, pursuant to the Deed of Assignment, the Ultimate Parent Company and the Parent Company executed the Second tranche of which the Parent Company acquired 750.00 million treasury shares at the price of ₱1.20 per share to cover the settlement of the ₱900.00 million advances made by the Parent Company to the Ultimate Parent Company.

b. Other transactions with the Ultimate Parent Company include noninterest-bearing cash advances for various charges for reimbursements of expenses on gasoline consumption of service vehicles, repairs and maintenance, supplies, rentals for project exhibits and advertising/marketing costs. This pertains to the monthly amortization payment from the buyers of the Parent Company collected by the Ultimate Parent Company due to be remitted to the Parent Company.

c. In 2014, SLLI and SLRDI entered into several memorandums of agreements wherein SLLI undertakes the development and marketing of the several projects of SLRDI and has assumed the position of the development contractor and marketing arm. In consideration of the services rendered by SLLI, SLRDI has agreed to the following:

- Colinas Verdes Bulacan Project - SLRDI has entered into a joint arrangement with Araneta Properties, Inc. (API) for a proceeds sharing agreement of 60% SLRDI - 40% API share. SLLI shall be entitled to 75% of SLRDI's share in the joint arrangement and 12% marketing fee on the gross selling price of all sales made from the project;

- Green Meadows Iloilo Project - SLRDI has entered into a joint arrangement with AFP-Retirement and Separation Benefits System (ARSBS) for a lot sharing agreement of 55% SLRDI - 45% ARSBS share. SLLI shall be entitled to 75% of SLRDI's share in the joint arrangement and 12% marketing fee on the gross selling price of all sales made from the project;

- Ponte Verde Davao Project- SLRDI has entered into a joint arrangement with Green Sphere Realty Corporation (GSRC) for a lot sharing agreement of 60% SLRDI - 40% GSRC share. SLLI shall be entitled to 75% of SLRDI's share in the joint arrangement and 12% marketing fee on the gross selling price of all sales made from the project; and

- Valle Verde Davao Project - SLRDI has entered into a joint arrangement with GSRC for a lot sharing agreement of 60% SLRDI - 40% GSRC share. SLLI shall be entitled to 75% of SLRDI's share in the joint arrangement and 12% marketing fee on the gross selling price of all sales made from the project.

Total share from the proceeds of SLRDI from the joint operations amounted to ₱180.71 million, ₱169.51 million, ₱157.70 million in 2019, 2018 and 2017, respectively. The share amounting ₱45.18 million, ₱47.13 million, and ₱63.57 million are still to be remitted or offset against the receivable from SLRDI as of December 31, 2019, 2018 and 2017, respectively.

d. Effective October 1, 2014, SLLI directly entered into lease agreements with mall tenants. SLECC and SLLI, on the other hand, entered into a management services agreement effective October 1, 2014 wherein SLECC will provide property management and business development services, leveraging its knowledge in the mall operations from the past years. In exchange of SLECC's services, SLLI shall pay SLECC a management fee equivalent to 5% of the gross rental revenue for managing mall operations including, repairs and maintenance and collection of space rental from storeowners or tenants.

   In addition, the Company has receivables from affiliate mall tenants. This pertains to accrued rental income amounting to ₱57.27 million and ₱34.34 million in 2019 and 2018 respectively.

e. The Parent Company made cash advances for preoperating costs for various expenses like registration fees, taxes and licenses fees to its marketing arm.

   The advances amounted to ₱2.00 million and nil in 2019 and 2018, respectively.

f. The Parent Company made noninterest-bearing cash advances to officers and directors which will be liquidated upon completion of the business transaction.

   These advances amounted to ₱14.27 million and ₱9.96 million in 2019 and 2018, respectively.

g. The Parent Company made cash advances to SVI to be used for various administrative and operating expenses.

   These advances amounted to ₱47.50 million and ₱59.00 million in 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the Group has not made any provision for ECL relating to amounts owed by related parties. There have been no guarantees and collaterals provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. This assessment of the Group is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Key Management Personnel
Compensation of key management personnel by benefit type follows:

	2019	2018
Short-term employee benefits	**₱14,670,000**	₱14,670,000
Post-employment benefits (Note 20)	**554,745**	554,745
	₱15,224,745	₱15,224,745

20. Pension Liabilities

The Group has a funded, noncontributory, defined benefit pension plan covering all employees having regular employment status starting 2017. The plan provides a retirement benefit equal to 22.5 days pay for every year of credited service in accordance with the Retirement Pay Law (Republic Act No. 7641). The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

The following tables summarize the components of pension expense and net interest expense recognized in the consolidated statements of comprehensive income, remeasurements recognized in other comprehensive income and the funded status and amounts recognized in the consolidated statements of financial position for the existing pension plan.

Components of retirement expense included in "Salaries and wages and other benefits" in the statements of comprehensive income follow:

	2019	2018
Current service cost	**₱1,295,905**	₱896,950
Interest cost	**423,204**	66,612
	₱1,719,109	₱963,562

The remeasurements recognized in OCI for the year ended December 31, 2019 and 2018 follows:

	2019	2018
Actuarial losses (gains) due to:		
Experience adjustments	**(₱266,739)**	₱5,612,027
Changes in financial assumptions	**889,787**	(1,406,984)
Changes in demographic assumptions	**(2,325,849)**	–
Asset return in net interest cost	**503,417**	173,100
	(₱1,199,384)	₱4,378,143

Changes in the present value of the defined benefit obligation follow:

	2019	2018
Balances at beginning of year	**₱9,496,160**	₱4,154,455
Current service cost	**1,295,905**	896,950
Interest cost	**731,204**	239,712
Actuarial losses (gains) due to:		
Changes in financial assumptions	**889,787**	(1,406,984)
Changes in demographic assumptions	**(2,325,849)**	–
Experience adjustments	**(266,739)**	5,612,027
Balances at end of year	**₱9,820,468**	₱9,496,160

Changes in the fair value of the plan asset which are in the form of cash follow:

	2019	2018
Balances at beginning of year	**₱4,000,000**	₱2,000,000
Interest income	**308,000**	173,100
Contributions	**–**	2,000,000
Return on plan assets	**(503,417)**	(173,100)
Balances at end of year	**₱3,804,583**	₱4,000,000

The plan deficit follow:

	2019	2018
Defined benefit obligation, ending	**₱9,820,468**	₱9,496,160
Fair value of plan assets, ending	**(3,804,583)**	(4,000,000)
Balances at end of year	**₱6,015,885**	₱5,496,160

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	2019	2018
Discount rate	**5.54%**	7.70%
Salary increase rate	**3.00%**	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant.

	2019		
	Increase/ decrease in rate	**Impact on defined benefit obligation**	
		Increase	**Decrease**
Salary increase rate	**+/-1%**	**₱546,085**	**(₱465,676)**
Discount rate	**+/-1%**	**537,381**	**(451,332)**

	2018		
	Increase/ decrease in rate	Impact on defined benefit obligation	
		Increase	Decrease
Salary increase rate	+/-1%	₱687,450	(₱574,339)
Discount rate	+/-1%	661,438	(546,658)

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

	December 31	
	2019	2018
2019	**₱5,705,970**	₱5,238,305
2020	**517,428**	–
2021	**–**	547,552
2022	**570,084**	–
2023	**–**	666,025
2024 - 2028	**5,724,661**	6,857,765

There was no plan amendment, curtailment, or settlement recognized in 2019 and 2018.

21. Interest in Joint Operations

The Group has entered into joint operations with various landowners and other companies, which include related parties. The interests in these joint operations range from 32% to 80% of the value of the whole project depending on the value of the land or investment of the other party against the estimated development costs. These joint operations entered into by the Group relate to the development and sale of subdivision land and condominium projects, with certain specified lots or units allocated to the joint operations. The Group's joint operations typically require the parties to contribute the land free from any lien, encumbrance and tenants or informal settlers to the project, with the Group bearing all costs related to land development and the construction of subdivision and condominium facilities.

For the year ended December 31, 2019 and 2018, the real estate sales and cost of real estate sales related to interest in joint operations amounted are as follows:

	2019	2018	2017
Real estate sales	**₱429,702,423**	₱302,626,900	₱541,431,795
Cost of real estate sales	**158,656,792**	124,818,574	219,707,688

Sales and marketing costs are allocated to both the Group and the joint operator. The projects covering the joint operations are expected to be completed in various dates. Capital commitments amounted to ₱4,725.00 million and ₱5,200.00 million in 2019 and 2018, respectively.

22. Segment Information

Operating segments are components of an entity for which discrete financial information is available that is regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segments and in assessing performance. Generally, financial information is required to be reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments.

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has two reportable operating segments as follows:

- *Leasing*
  This segment consists of the Group's investment properties which includes properties that are held to earn rentals and are not occupied by the Group.

- *Residential development*
  This represents the development and selling of subdivision lots and high rise condominium projects across the Philippines.

For investment properties, financial information is provided to the BOD on a property by property basis. The information provided is net rentals (including gross rent less property expenses). Information on the residential development property segment provided to the BOD is aggregated and is represented by revenue and profit from the sale of real estate inventories.

Segment assets for the investment property segment represent investment property held to earn rentals. Segment assets for the residential development segment represent unsold real estate inventories. Segment liabilities represent loans payable and customers' deposits as these are the only liabilities reported to the BOD on a segmental basis.

The Group's administrative costs, interest income and interest expense are reported to the BOD on a segmental basis. There are no sales between segments.

The following tables regarding business segments present assets and liabilities as of December 31, 2019, 2018 and 2017 and revenue and income information for each of the three years in the period ended December 31, 2019.

		2019	
	Leasing	Residential Development	Total
Rental income	₱898,291,953	₱–	₱898,291,953
Cost of rental income	(550,171,787)	–	(550,171,787)
Real estate sales	–	5,871496,779	5,871,496,779
Cost of real estate sales	–	(2,680,779,445)	(2,680,779,445)
Segment gross profit	348,120,166	3,190,717,334	3,538,837,500
Selling and administrative expense	(44,841,694)	(1,149,336,905)	(1,194,178,599)
Interest income	38,268	646,971,592	647,009,860
Interest expense	–	(886,019,509)	(886,019,509)
Commission income	–	93,579,168	93,579,168
Dividend income	–	5,662,941	5,662,941
Other income	65,324,860	228,922,217	294,247,077
Other expense	(632,909)	326,175,555	14,406,256,300
Provision for income tax	(98,812,416)	(595,803,889)	(694,616,305)
Net income	269,196,275	1,467,000,645	1,736,196,920
Total segment assets	₱5,832,924,364	₱34,504,493,721	₱40,337,418,085
Segment liabilities	₱441,000,395	22,793,076,832	₱23,234,077,277
Income tax payable	–	49,578,644	49,578,644
Deferred tax liabilities	–	954,645,124	954,645,124
Total liabilities	₱441,000,395	₱23,797,300,600	₱24,238,300,955
Cash flows arising from:			
Operating activities	₱340,686,850	(₱403,877,550)	(₱63,190,700)
Investing activities	(196,671,284)	(228,770,663)	(425,441,947)
Financing activities	–	327,467,832	327,467,832

	2019		
	Leasing	Residential Development	Total
	2018		
	Leasing	Residential Development	Total
Rental income	₱858,758,442	₱–	₱858,758,442
Cost of rental income	(553,974,130)	–	(553,974,130)
Real estate sales	–	2,428,307,857	2,428,307,857
Cost of real estate sales	–	(959,025,588)	(959,025,588)
Segment gross profit	304,784,312	1,469,282,269	1,774,066,581
Selling and administrative expense	(113,357,034)	(505,462,039)	(618,819,073)
Interest income	498,370	300,474,927	300,973,297
Interest expense	–	(706,707,500)	(706,707,500)
Commission income	–	181,286,064	181,286,064
Dividend income	–	7,157,683	7,157,683
Other income	–	255,736,621	255,736,621
Other expense	(781,460)	(50,797,546)	(51,579,006)
Provision for income tax	–	(76,935,383)	(76,935,383)
Net income	₱191,144,188	₱874,035,096	₱1,065,179,284
Total segment assets	₱5,628,128,351	₱29,208,955,514	₱34,837,083,865
Segment liabilities	₱330,473,317	₱19,335,695,285	₱19,666,168,602
Income tax payable	–	19,894,432	19,894,432
Deferred tax liabilities	49,301,827	526,488,770	575,790,597
Total liabilities	₱49,301,827	₱20,212,551,804	₱20,261,853,631
Cash flows arising from:			
Operating activities	₱382,371,833	(₱2,020,609,309)	(₱1,638,237,206)
Investing activities	(108,667,923)	(98,154,725)	(206,822,648)
Financing activities	–	2,283,353,513	2,283,353,513

	2017		
	Leasing	Residential Development	Total
Rental income	₱1,026,099,885	₱–	₱1,026,099,885
Cost of rental income	(583,993,393)	–	(583,993,393)
Real estate sales	–	2,108,492,387	2,108,492,387
Cost of real estate sales	–	(860,882,958)	(860,882,958)
Construction income	–	1,612,700	1,612,700
Cost of construction	–	(943,899)	(943,899)
Segment gross profit	442,106,492	1,248,278,230	1,690,384,722
Selling and administrative expense	(₱30,483,143)	(₱544,726,114)	(₱575,209,257)
Interest income	50,429	159,997,393	160,047,822
Interest expense	–	(487,638,932)	(487,638,932)
Dividend income	–	7,157,683	7,157,683
Commission income	–	109,263,232	109,263,232
Other income	–	276,625,704	276,625,704
Other expense	(9,428,471)	(40,179,847)	(49,608,318)
Provision for income tax	(120,673,592)	(192,697,812)	(313,371,404)
Net income	₱281,571,715	₱536,079,537	₱817,651,252
Total segment assets	₱6,407,023,367	₱23,399,989,869	₱29,807,013,236
Segment liabilities	₱326,175,555	₱14,406,256,300	₱14,732,431,855
Income tax payable	–	46,184,278	46,184,278
Deferred tax liabilities	325,136,555	393,305,748	718,442,303
Total liabilities	₱651,312,110	₱14,845,746,326	₱15,497,058,436
Cash flows arising from:			
Operating activities	₱22,162,829	(₱3,078,645,160)	(₱3,056,482,331)
Investing activities	(4,755,961)	(180,143,546)	(184,899,507)
Financing activities	–	3,727,170,708	3,727,170,708

23. Operating Lease

Operating Leases - Group as Lessor
The Group entered into lease agreements with third parties covering its investment property portfolio. These leases pertain to Sta. Lucia East Grand Mall, Orchard Tower 1, and Stradella. For Sta. Lucia East Grand Mall lease agreement generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. These leases have an average life of one (1) to two (2) years with renewal option included in the contracts. There are no restrictions place upon the lessee by entering into the contract.

Future minimum rentals receivable under noncancelable operating leases of the Group follows:

	2019	2018
Within one year	**₱242,447,510**	₱127,591,056
After one year but not more than five years	**138,377,105**	17,883,319
	₱380,824,615	₱145,474,375

Monthly rental from mall tenants was subject to escalation clause of 10% per renewal while for Orchard Tower 1 and Stradella is subject to 5% escalation clause per year.

Rent income recognized amounted to ₱898.29 million, ₱858.76 million and ₱1,026.10 million in 2019, 2018 and 2017, respectively.

Parent Company
Effective October 1, 2014, SLLI directly entered into lease agreements with mall tenants. SLECC and SLLI, on the other hand, entered into a management services agreement effective October 1, 2014 wherein SLECC will provide property management business development services, leveraging its knowledge in the mall operations from past years. In exchange of SLECC's services, SLLI shall pay SLECC a management fee equivalent to 5% of the gross rental revenue for managing mall operations including repairs and maintenance and collection of space rental from storeowners or tenants.

24. Income Tax

Provision for income tax consists of:

	2019	2018	2017
Current	**₱315,523,294**	₱216,105,289	₱132,390,260
Deferred	**378,494,712**	(141,338,263)	180,668,293
Final	**598,299**	2,168,357	312,851
	₱694,616,305	₱76,935,383	₱313,371,404

The current provision for income tax in 2019, 2018 and 2017 represents RCIT.

The Group recognized deferred tax asset from remeasurement gain on pension liabilities recognized in OCI for the year ended December 31, 2019 amounting to ₱0.36 million and deferred tax liabilities from remeasurement losses amounting ₱1.31 million and ₱0.15 million for the years ended December 31, 2018 and 2017, respectively.

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2019	2018	2017
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effect of:			
Nondeductible expenses	**0.01**	0.09	0.06
Income subjected to final taxes	**(0.01)**	(0.09)	–
Nontaxable income	**(1.42)**	(0.19)	(0.86)
Reversal of deferred tax liability	**–**	(23.07)	(1.49)
Effective income tax rate	**28.58%**	6.74%	27.71%

The components of net deferred tax liabilities as of December 31, 2019 and 2018 are as follows:

	2019	2018
Deferred tax assets on:		
Allowance for doubtful accounts	**₱5,070,792**	₱4,750,789
Accrued retirement liability	**703,240**	787,507
	5,774,032	5,538,296
Deferred tax liabilities on:		
Excess of realized gross profit over taxable realized gross profit on real estate sales and difference in tax base and accounting base on rental income	**395,713,763**	240,044,741
Prepaid commission	**241,606,978**	194,671,128
Capitalized borrowing cost	**107,711,117**	63,871,418
Fair value gain on repossessed inventory	**44,850,820**	40,646,988
Unamortized transaction cost	**21,890,805**	30,367,428
Unamortized discount on receivables	**148,620,237**	11,699,852
Others	**25,436**	27,338
	960,419,156	581,328,893
Net deferred tax liability	**(₱954,645,124)**	(₱575,790,597)

The Group did not recognize deferred tax asset on NOLCO of SLHI amounting to ₱0.19 million and ₱12.09 million in 2019 and 2018, respectively, since management believes that the tax benefit related will not reverse through income tax deductions in the near future.

The details of NOLCO follows:

Year Incurred	Amount	Expired	Balance	Expiry Date
December 31, 2019	₱65,190	₱–	₱65,190	2022
December 31, 2018	36,696	–	36,696	2021
December 31, 2017	81,066	–	81,066	2020
December 31, 2016	85,634	85,634	–	2019
	₱268,586	₱85,634	₱182,952	

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2018 and took effect January 1, 2019, making the new tax law enacted as of the reporting date. Although the TRAIN changed existing tax law and included several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

25. **Earnings per Share**

The basic earnings per share for the years ended December 31, 2019, 2018 and 2017 were computed as follows:

	2019	2018	2017
Net income	**₱1,736,196,920**	₱1,065,179,284	₱817,651,252
Weighted average number of shares outstanding	**8,196,450,000**	8,946,450,000	8,946,450,000
Earnings per share	**₱0.21**	₱0.12	₱0.09

There were no potential dilutive shares in 2019, 2018 and 2017.

26. **Fair Value Determination**

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

Cash and cash equivalents, receivables and accounts and other payables
Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Installment contracts receivables
The fair values of real estate receivable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity. The discount rate used in 2019 and 2018 ranges from 6.25% to 8.16% and 6.25% to 7.24%, respectively. The carrying value and fair value of the receivables amounted to ₱1,221.18 million and ₱1,215.81 million in 2019 and 2018, and ₱1,293.14 million and ₱1,230.32 million in 2019 and 2018, respectively.

Financial assets at FVOCI quoted equity securities
In 2019 and 2018, the fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities
In 2019 and 2018, the fair values are based on the adjusted net asset value.

Short term debt
Carrying amounts approximate the fair values because they carry interest rates which are the prevailing market rates for similar instruments.

Long term debt
The fair values of bonds payable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity. The discount rate used in 2019 and 2018 ranges from 6.14% to 7.52%. The carrying value and fair value of the bonds payable amounted to ₱10,998,03 million and ₱11,071.00 million in 2019 and ₱9,998.78 million and ₱10,100 million in 2018.

The quantitative disclosures on fair value measurement hierarchy for assets as of December 31, 2019 and 2018 follow:

		2019			
		Fair value measurements using			
	Carrying values	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant offer observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value					
Quoted equity securities	**₱725,304,769**	**₱725,304,769**	**₱725,304,769**	**₱–**	**₱–**
Unquoted equity securities	**222,870,766**	**222,870,766**	–	–	**222,870,766**
Assets for which fair value are disclosed					
Installment contracts receivables	**1,230,318,438**	**1,293,151,157**	–	–	**1,293,151,157**
Investment properties	**5,597,417,842**	**7,563,000,000**	–	–	**7,563,000,000**
Liabilities for which fair value are disclosed					
Short-term debt	**3,521,188,200**	**3,521,188,200**	–	–	**3,521,188,200**
Long-term debt*	**11,465,030,651**	**11,538,000,000**	–	–	**11,538,000,000**

**Includes current portion of long-term debt*

		2018			
		Fair value measurements using			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Quoted equity securities	₱825,504,831	₱825,504,831	₱825,504,831	₱–	₱–
Unquoted equity securities	159,531,769	159,531,769	–	–	159,531,769
Assets for which fair value are disclosed					
Installment contracts receivables	1,215,808,860	1,248,060,055	–	–	1,248,060,055
Investment properties	5,154,483,562	6,989,000,000	–	–	6,989,000,000
Liabilities for which fair value are disclosed					
Short-term debt	3,608,000,000	3,608,000,000	–	–	3,608,000,000
Long-term debt	9,998,775,240	10,100,000,000	–	–	10,100,000,000

As at December 31, 2019, the Group's financial assets at FVOCI amounting to ₱725.30 million (Note 9) is carried at fair value based on Level 1 while the fair value for the investment amounting ₱222.87 million is based on Level 3. The fair value for non-current receivables are based on Level 3. There have been no transfers between Level 1 and Level 2 during 2019 and 2018.

27. **Financial Asset and Liabilities**

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the net asset settles the liability simultaneously.

The following table represents the recognized financial instruments that are offset as of December 31, 2019 and December 31, 2018, and shows in the 'Net' column what the net impact would be on the Group's consolidated statements of financial position as a result of the offsetting rights.

	December 31, 2019		
	Gross Amount	**Offsetting**	**Net Amount**
Due from related parties	**₱–**	**(₱3,254,988)**	**(₱3,254,988)**
Due to related parties	**448,224,436**	**–**	**448,224,436**
	₱448,224,436	**(₱3,254,988)**	**₱444,969,448**

	December 31, 2018		
	Gross Amount	Offsetting	Net Amount
Due from related parties	₱–	₱1,073,475,512	₱1,073,475,512
Due to related parties	(523,078,246)	–	(523,078,246)
	(₱523,078,246)	₱1,073,475,512	₱550,397,266

SLLI's payable to SLRDI arising from SLRDI's unremitted share in the development and sale of the several projects of the latter is offset against the total receivable from SLRDI.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash and cash equivalents, receivables, financial assets at FVOCI, accounts and other payables, short-term debt and long-term debt.

Management closely monitors the cash fund and financial transactions of the Group. These strategies, to an extent, mitigate the Group's interest rate and credit risks.

Exposure to liquidity and credit risks arise in the normal course of the Group's business activities.

The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Liquidity risk
Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Group manages its liquidity profile to be able to finance the capital expenditures and service the maturing debts. To cover the financing requirements, the Group intends to use internally generated funds and proceeds from debt and equity offerings.

The Group actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets. As of December 31, 2019 and 2018, the Group has undrawn facilities amounting nil and ₱675.00 million, respectively. As part of the liquidity risk management, the Group is currently transacting with local banks for a longer term corporate notes and negotiation of higher undrawn credit lines to meet the debtors', suppliers' and contractors' obligations and business expansion.

At the Special Meeting of the Board of Directors of the Group held last February 17, 2018, wherein, subject to securing all required approvals under applicable laws, rules and regulations, the Group was authorized to negotiate and avail of a 10 year Corporate Note Facility with financial institutions, with a maximum of 19 investors, for an aggregate amount of ₱3,000.00 million and with an overallotment option of ₱2,000.00 million, for the pre-payment of existing obligations of the Group, strategic land banking, capital expenditures for ongoing and new projects, and general corporate purposes.

Through scenario analysis and contingency planning, the Group also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost, and ensures the availability of ample unused credit facilities as back-up liquidity.

Cash are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise.

The table summarizes the maturity profile of the Group's financial assets and financial liabilities at December 31 based on contractual undiscounted payments:

	2019			
	< 1 year	>1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents	₱903,368,151	₱–	₱–	₱903,368,151
Receivables:				
Installment contracts receivables:				
Subdivision land	539,926,294	382,543,419	15,389,330	937,859,043
Condominium units	206,048,573	143,464,008	5,771,406	355,283,987
Receivable from related parties	550,581,854	–	–	550,581,854
Advances to operators	439,560,326	–	–	439,560,326
Advances to officers and employees	111,454,568	–	–	111,454,568
Commission receivable	21,033,399	–	–	21,033,399
Accrued interest receivable	484,850,509	–	–	484,850,509
Receivable from tenants	62,368,861	–	–	62,368,861
Dividend receivable	14,566,771	–	–	14,566,771
Others	18,212,856	–	–	18,212,856
Financial instruments at fair value through other comprehensive income (FVOCI)	948,175,535	–	–	948,175,535
Total Financial Assets	4,300,147,697	526,007,427	21,160,736	4,847,315,860
Contract assets	1,618,898,886	1,193,618,215	48,018,006	2,860,535,107
	₱5,919,046,583	₱1,719,625,642	₱69,178,742	₱7,707,850,967
Financial liabilities				
Accounts and other payables:				
Contractors payable	₱1,999,834,799	₱–	₱–	₱1,999,834,799
Joint operators payable	406,059,166	–	–	406,059,166
Accounts payable	1,422,039,020	–	–	1,422,039,020

(Forward)

	2019			
	< 1 year	**>1 to < 5 years**	**> 5 years**	**Total**
Retention payable	**₱118,078,977**	**₱–**	**₱–**	**₱118,078,977**
Accrued payables	**27,374,304**	**–**	**–**	**27,374,304**
Payable to related parties				
Trade	**38,605,523**	**–**	**–**	**38,605,523**
Nontrade	**16,346,102**	**–**	**–**	**16,346,102**
Interest payable	**147,342,861**	**–**	**–**	**147,342,861**
Others	**19,153,335**	**–**	**–**	**4,275,316**
Short term and long term debts	**3,988,188,200**	**9,093,338,726**	**1,904,691,925**	**14,986,218,851**
Total Financial Liabilities	**₱8,183,022,287**	**₱9,093,338,726**	**₱1,904,691,925**	**₱19,166,174,919**

	2018			
	< 1 year	>1 to < 5 years	> 5 years	Total
Financial assets				
Cash and cash equivalents	₱1,064,532,966	₱–	₱–	₱1,064,532,966
Receivables:				
Installment contracts receivables:				
Subdivision land	322,312,401	603,260,509	24,268,552	949,841,462
Condominium units	101,195,184	189,403,505	7,619,504	298,218,193
Receivable from related parties	617,809,281	–	–	617,809,281
Advances to operators	138,649,152	–	–	138,649,152
Advances to officers and employees	93,900,187	–	–	93,900,187
Commission receivable	67,574,255	–	–	67,574,255
Accrued interest receivable	162,107,893	–	–	162,107,893
Receivable from tenants	50,335,764	–	–	50,335,764
Dividend receivable	10,862,227	–	–	10,862,227
Others	27,585,636	–	–	27,585,636
Financial instruments at fair value through other comprehensive income (FVOCI)	₱985,036,600	₱–	₱–	₱985,036,600
Total Financial Assets	3,641,901,546	792,664,014	31,888,056	4,466,453,616
Contract assets	466,433,596	873,007,535	35,120,175	1,374,561,306
	₱4,108,335,142	₱1,665,671,549	₱67,008,231	₱5,841,014,922
Financial liabilities				
Accounts and other payables:				
Contractors payable	₱1,661,633,075	₱–	₱–	₱1,661,633,075
Joint operators payable	354,542,771	–	–	354,542,771
Accounts payable	1,224,671,818	–	–	1,224,671,818
Retention payable	110,346,999	–	–	110,346,999
Accrued payables	15,221,243	–	–	15,221,243
Payable to related parties				
Trade	45,811,724	–	–	45,811,724
Nontrade	16,346,102	–	–	16,346,102
Interest payable	147,228,975	–	–	147,228,975
Others	110,969,591	–	–	110,969,591
Short term and long term debts	3,608,000,000	6,032,243,232	3,966,532,008	13,606,775,240
Total Financial Liabilities	₱7,294,772,298	₱6,032,243,232	₱3,966,532,008	₱17,293,547,538

Short term and long term debts include future interest payments.

Cash and receivables are used for the Group's liquidity requirements. Refer to the terms and maturity profile of these financial assets under the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. The credit risk for installment contracts receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject lot in case of refusal by the buyer to pay on time the amortization due. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

An impairment analysis is performed at each reporting date using a simplified approach to measure expected credit losses. The provision rates are based groupings of various customer segments with similar loss patterns (i.e., by geography, product type, customer type and rating and coverage by letters of credit and other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's installment contracts receivables and contract assets using the simplified approach:

		2019	
	Total	**Vertical**	**Horizontal**
Expected credit loss rate	**0.0%**	**0.0%**	**0.0%**
Estimated total gross carrying amount at default	**₱4,658,515,579**	**₱634,973,213**	**₱4,023,542,366**

		2018	
	Total	Vertical	Horizontal
Expected credit loss rate	0.0%	0.0%	0.0%
Estimated total gross carrying amount at default	₱2,622,621,161	₱822,150,794	₱1,800,470,367

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position as of December 31, 2019 and 2018.

	2019	2018
Contract assets	**₱2,860,535,107**	₱1,374,561,306
Installment contracts receivables:		
Subdivision land	**937,859,043**	949,841,462
Condominium units	**355,283,987**	298,218,193
Receivable from related parties	**550,581,854**	617,809,281
Accrued interest receivable	**484,850,509**	162,107,893
Commission receivable	**21,033,399**	67,574,255
Receivable from tenants	**62,368,861**	50,335,764
Dividend receivable	**14,566,771**	10,862,227
	₱5,287,079,531	₱3,531,310,381

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk. As of December 31, 2019 and 2018, the aging analysis of past due but not impaired receivables presented per class, is as follows:

	2019								
	Neither Past Due nor Impaired	Past Due but not Impaired						Impaired	Total
		1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total		
Installment contracts receivables:									
Subdivision land	₱853,972,277	₱17,493,426	₱11,927,507	₱10,244,583	₱9,613,839	₱17,704,771	₱66,984,126	₱16,902,640	₱937,859,043
Condominium units	331,855,508	5,510,590	5,056,497	4,483,047	3,770,244	4,608,101	23,428,479	–	355,283,987
Receivable from related parties	550,581,854	–	–	–	–	–	–	–	550,581,854
Advances to joint operators	439,560,316	–	–	–	–	–	–	–	439,560,326
Advances to officers and employees	111,454,568	–	–	–	–	–	–	–	111,454,568
Commission receivable	21,033,399	–	–	–	–	–	–	–	21,033,399
Accrued interest receivable	484,850,509	–	–	–	–	–	–	–	484,850,509
Receivable from tenants	62,368,861	–	–	–	–	–	–	–	62,368,861
Dividend receivable	14,566,771	–	–	–	–	–	–	–	14,566,771
Others	18,212,856	–	–	–	–	–	–	–	18,212,856
Total	₱2,888,456,929	₱23,004,016	₱16,984,004	₱14,727,630	₱13,384,083	₱22,312,872	₱90,412,605	₱16,902,640	₱2,995,772,174

	2018								
	Neither Past Due nor Impaired	Past Due but not impaired						Impaired	Total
		1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total		
Installment contracts receivables:									
Subdivision land	₱882,136,037	₱13,033,396	₱9,868,537	₱8,684,393	₱8,068,046	₱12,215,090	₱51,869,462	₱15,835,963	₱949,841,462
Condominium units	282,019,054	3,655,973	3,489,390	3,077,569	2,630,596	3,345,611	16,199,139	–	298,218,193
Receivable from related parties	617,809,281	–	–	–	–	–	–	–	617,809,281
Advances to joint operators	138,649,152	–	–	–	–	–	–	–	138,649,152
Advances to officers and employees	93,900,187	–	–	–	–	–	–	–	93,900,187
Commission receivable	67,574,255	–	–	–	–	–	–	–	67,574,255
Accrued interest receivable	162,107,893	–	–	–	–	–	–	–	162,107,893
Receivable from tenants	50,335,764	–	–	–	–	–	–	–	50,335,764
Dividend receivable	10,862,227	–	–	–	–	–	–	–	10,862,227
Others	27,585,636	–	–	–	–	–	–	–	27,585,636
Total	₱2,332,979,486	₱16,689,369	₱13,357,927	₱11,761,962	₱10,698,642	₱15,560,701	₱68,068,601	₱15,835,963	₱2,416,884,050

The table below shows the credit quality of the Group's financial assets as of December 31, 2019 and 2018.

	2019						
	Neither past due nor impaired				Past due but		
	High Grade	Medium Grade	Low Grade	Total	not impaired	Impaired	Total
Cash in bank and cash equivalents	₱903,368,151	₱–	₱–	₱903,368,151	₱–	₱–	₱903,368,151
Receivables:							
Installment contracts receivables:							
Subdivision land	853,972,277	–	–	853,972,277	66,984,126	16,902,640	937,859,843
Condominium units	331,855,508	–	–	331,855,508	23,428,479	–	355,283,987
Receivable from related parties	550,581,854	–	–	550,581,854	–	–	550,581,854
Advances to officers and employees	111,454,568	–	–	111,454,568	–	–	111,454,568
Advances to joint operators	439,560,326	–	–	439,560,326	–	–	439,560,326
Commission receivable	21,033,399	–	–	21,033,399	–	–	21,033,399
Accrued interest receivable	484,850,509	–	–	484,850,509	–	–	484,850,509
Receivables from tenants	62,368,861	–	–	62,368,861	–	–	62,368,861
Dividend receivable	14,566,771	–	–	14,566,771	–	–	14,566,771
Others	18,212,856	–	–	18,212,856	–	–	18,212,856
Financial assets at fair value through other comprehensive income (OCI)	948,175,535	–	–	948,175,535	–	–	948,175,535
	₱4,740,000,615	₱–	₱–	₱4,740,000,615	₱90,412,605	₱16,902,640	₱4,847,315,860

	2018						
	Neither past due nor impaired				Past due but		
	High Grade	Medium Grade	Low Grade	Total	not impaired	Impaired	Total
Cash in bank and cash equivalents	₱1,063,149,948	₱–	₱–	₱1,063,149,948	₱–	₱–	₱1,063,149,948
Receivables:							
Installment contracts receivables:							
Subdivision land	882,136,037	–	–	882,136,037	51,869,462	15,835,963	949,841,462
Condominium units	282,019,054	–	–	282,019,054	16,199,139	–	298,218,193
Receivable from related parties	617,809,281	–	–	617,809,281	–	–	617,809,281
Advances to officers and employees	93,900,187	–	–	93,900,187	–	–	93,900,187
Advances to joint operators	138,649,152	–	–	138,649,152	–	–	138,649,152
Commission receivable	67,574,255	–	–	67,574,255	–	–	67,574,255
Accrued interest receivable	162,107,893	–	–	162,107,893	–	–	162,107,893
Receivables from tenants	50,335,764	–	–	50,335,764	–	–	50,335,764
Dividend receivable	10,862,227	–	–	10,862,227	–	–	10,862,227
Others	27,585,636	–	–	27,585,636	–	–	27,585,636
Financial assets at fair value through other comprehensive income (OCI)	985,036,600	–	–	985,036,600	–	–	985,036,600
	₱4,381,166,034	₱–	₱–	₱4,381,166,034	₱68,068,601	₱15,835,963	₱4,465,070,598

The credit quality of the financial assets was determined as follows:

Cash - high grade pertains to cash deposited in local banks belonging to the top ten banks in the Philippines in terms of resources and profitability.

Receivables - high grade pertains to receivables with no default in payment and pertains to related parties; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages the equity price risk through diversification and placing limits on equity instruments.

The effect on equity, as a result of a change in carrying amount of financial assets at fair value through other comprehensive income (FVOCI) as of December 31, 2019 and 2018 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱94.82 million and ₱98.50 million, respectively, if equity indices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

Interest rate risk
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 of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve, and degree of variability of cash flows.

The following table demonstrates the sensitivity of the Group's income before tax and equity to a reasonably possible change in interest rates on December 31, 2019 and 2018, with all variables held constant, (through the impact on floating rate borrowings):

	Effect on income before income tax Increase (decrease)	
	2019	2018
Change in basis points:		
+100 basis points	**(₱127,414,317)**	(₱112,312,658)
-100 basis points	**127,414,317**	112,312,658

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.

The terms and maturity profile of the undiscounted interest-bearing financial assets and liabilities, at discounted values together with their corresponding nominal amounts and carrying values are shown in the following table:

	2019						
	Interest terms (p.a.)	Rate Fixing Period	On Demand	1 to 3 months	3 to 12 months	1 to 5 years	Total
Financial Assets							
Cash and cash equivalents	Fixed at the date of investment	Various	₱903,368,151	₱–	₱–	₱–	₱903,368,151
Installment contracts receivables	Fixed at the date of sale	Date of sale	89,896,603	157,265,922	471,797,767	574,182,738	1,293,143,030
Receivables from related parties	N/A	N/A	550,581,854	–	–	–	550,581,854
Other	N/A	N/A	18,212,856	–	–	–	18,212,856
Financial assets at fair value through OCI	N/A	N/A	–	–	–	948,175,535	948,175,535
Total financial assets			1,562,059,464	157,265,922	471,797,767	1,522,358,273	3,713,481,426
Contract assets			235,521,593	345,844,323	1,037,532,970	1,241,636,221	2,860,535,107
Total undiscounted financial and contract assets			1,797,581,057	503,110,245	1,509,330,737	2,763,994,494	6,574,016,533
Financial Liabilities							
Bonds payable	Variable at 2.5% over 91 days PDST	Quarterly	–	–	–	2,000,000,000	2,000,000,000
Loans payable	Fixed at the date of loan	Quarterly	–	2,931,188,200	1,057,000,000	–	3,988,188,200
Notes payable	N/A	N/A	–	–	–	9,071,000,000	9,071,000,000
Accounts and other payables	N/A	N/A	4,769,348,812	–	–	–	4,769,348,812
Total undiscounted financial liabilities			4,769,348,812	2,931,188,200	1,057,000,000	11,071,000,000	19,828,537,012
Liquidity position (gap)			(₱2,971,767,755)	(₱2,428,077,955)	₱452,330,737	(₱8,307,005,506)	(₱13,254,520,479)

	2018						
	Interest terms (p.a.)	Rate Fixing Period	On Demand	1 to 3 months	3 to 12 months	1 to 5 years	Total
Financial Assets							
Cash and cash equivalents	Fixed at the date of investment	Various	₱1,064,532,966	₱–	₱–	₱–	₱1,064,532,966
Installment contracts receivables	Fixed at the date of sale	Date of sale	78,692,838	165,366,331	496,098,992	507,901,494	1,248,059,655
Receivables from related parties	N/A	N/A	617,809,281	–	–	–	617,809,281
Other	N/A	N/A	27,585,636	–	–	–	27,585,636
Financial assets at fair value through OCI	N/A	N/A	–	–	–	985,036,600	985,036,600
Total financial assets			1,788,620,721	165,366,331	496,098,992	1,492,938,094	3,943,024,138
Contract assets			64,618,364	159,214,001	477,642,003	673,086,938	1,374,561,306
Total undiscounted financial and contract assets			1,853,239,085	324,580,332	973,740,995	2,166,025,032	5,317,585,444
Financial Liabilities							
Bonds payable	Variable at 2.5% over 91 days PDST	Quarterly	–	–	–	2,000,000,000	2,000,000,000
Loans payable	Fixed at the date of loan	Quarterly	–	1,108,000,000	2,500,000,000	–	3,608,000,000
Notes payable	N/A	N/A	–	–	–	8,100,000,000	8,100,000,000
Accounts and other payables	N/A	N/A	3,990,826,478	–	–	–	3,990,826,478
Total undiscounted financial liabilities			3,990,826,478	1,108,000,000	2,500,000,000	10,100,000,000	17,698,826,478
Liquidity position (gap)			(₱2,137,587,393)	(₱783,419,668)	(₱1,526,259,005)	(₱7,933,974,968)	(₱12,381,241,034)

28. Notes to Statements of Cash Flows

Below are the non-cash investing and financing activities for December 31, 2019 and 2018:

a. The interest paid excludes capitalized borrowing costs and accretion of bond transaction cost amounting ₱166.00 million and ₱39.51 million, respectively in 2019, ₱101.68 million and ₱28.14 million, respectively, in 2018, and ₱64.22 million and ₱18.97 million, respectively, in 2017.

b. In 2018, the Parent Company acquired 750.00 million treasury shares at the price of ₱1.20 per share to cover the settlement of the ₱900.00 million advances made by the Parent Company to the Ultimate Parent Company. The amount was credited against the outstanding receivables from the Ultimate Parent Company.

c. In 2019, the Group transferred other current assets to real estate inventories amounting to ₱1,915.50 million.

d. The Group transferred other current assets to other noncurrent assets amounting to ₱289.96 million and ₱154.62 million in 2019 and 2018, respectively.

e. The Group transferred inventories to investment properties amounting to ₱348.14 million in 2019.

f. Purchases of lots which remain unpaid as of December 31, 2019 amounted ₱837.34 million.

Details of the movement in cash flows from financing activities follow:

	December 31, 2018	Cash flows	Non-cash changes	December 31, 2019
Payable to related parties (Note 19)	45,811,723	(₱65,190)	₱–	₱45,746,533
Short-term and long-term debt (Note 14)	13,550,498,468	1,339,938,200	39,505,411	14,986,218,851
Interest paid	147,228,975	(1,012,405,178)	1,012,519,064	147,342,861
Total liabilities from financing activities	₱13,743,539,166	₱327,467,832	₱1,052,024,475	₱15,179,308,245

Non-cash changes pertain to accretion of bond discount from short-term and long-term debt, capitalized borrowing costs to inventories and investment properties and accrual of interest expense.

29. Contingencies

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business including cases related to property restriction violation. The estimate of the probable cost for the resolution of this claim has been developed in consultation with outside counsel handling the defense in this matter and is based upon an analysis of potential results. In the opinion of management and its legal counsel the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. Accordingly, no provision for any liability has been made in the consolidated financial statements.

Disclosures required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, were not provided as it may prejudice the Group's position in ongoing claims and it can jeopardize the outcome of the claims and contingencies.

30. Events After the Reporting Date

COVID-19 Outbreak

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. Thereafter, National Capital Region, Central Luzon (except Aurora), CALABARZON, Pangasinan, Benguet and Baguio remained under modified ECQ until May 15, 2020, while the rest of Luzon provinces were under general ECQ until May 31, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Company will continue to monitor the situation.

The following matters are expected to mitigate the effects of the COVID-19 on the business operations and financial standing of the Group:

1. Overseas Filipino Workers ("OFW") Remittances

   A significant portion of the demand for the Group's products is from OFWs, expatriate Filipinos, and their families, which exposes the Group to risks relating to the performance of the economies of the countries where these potential customers are based. The Group relies on OFWs, expatriate Filipinos, and their families who live in the Philippines to generate a significant portion of the demand for its subdivision lots and high-rise condominium units, particularly for its affordable and middle-income projects. In order to reach them, the Group engages marketing companies which have both domestic and international presence. The COVID-19 pandemic could adversely affect demand for the Group's projects from OFWs, expatriate Filipinos and their families, which could have a material adverse effect on the Group's business, financial condition and results of operations.

   To mitigate the risk of a downturn in the demand from its dependence on OFWs and their families, the Group has been looking to expand its customer base and has appointed Sta. Lucia Ventures, Inc. and seven other marketing companies whose clientele not only includes OFWs and their families but Business Process Outsourcing ("BPO") employees, Small and Medium Enterprise ("SME") owners and other corporate and government employees as well.

2. Business Operations

   The Group faces certain risks related to the cancellation of sales involving its residential projects. As a developer and seller of residential real estate, the Group's business, financial condition and results of operations could be adversely affected in the event a material number of sales contracts for subdivision lots and condominium units are cancelled.

To minimize the impact of such risk, receivable balances are monitored by the Group on a regular basis. In addition, majority of the Group's historical revenues have been from lot sales. The development and maintenance of these lots involve lower costs versus house and lot developers, and residential lots would be easier to resell than other property types.

3. Philippine-based Assets and Operations

   All of the Group's operations and assets are based in the Philippines and, therefore, a slowdown in economic growth in the Philippines due to the COVID-19 pandemic could materially and adversely affect the Group's business, financial position and results of operations.

   Historically, the Group has derived substantially all of its revenues and operating profits from the Philippines and its businesses are highly dependent on the state of the Philippine economy. Demand for residential real estate, commercial leasing and office leasing are all directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines, as well as the amount of remittances received from OFWs and Overseas Filipinos ("OFs"). Aside from OFWs and OFS, the Group has also benefited from the growth of the BPO industry as increased revenues have allowed more people to purchase their own homes rather than renting them. However, benefitting from the growth of the BPO sector that mainly originates from other countries exposes the Group to certain political and economic conditions present in such jurisdictions due to the COVID-19 pandemic. These conditions include, but are not limited to: (a) a downturn in the economic performance; and (b) a change in government policy that limits or suspends the outsourcing of functions to offshore BPO companies.

   The Group continuously monitors the political and economic situations and policies in the relevant jurisdictions to anticipate any effect it may have on the Group and its business. The Group shall ensure the continuity of business operations in the event of escalation.

SGV
Building a better working world

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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 SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Sta. Lucia Land, Inc. and Subsidiaries
Penthouse Bldg. 3, Sta. Lucia Mall
Marcos Highway cor. Imelda Avenue
Cainta, Rizal

We have audited in accordance with Philippine Standards on Auditing the accompanying consolidated financial statements of Sta. Lucia Land, 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 May 21, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule No. 68 and are not part of the basic consolidated financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the information are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

[redacted]

Michael C. Sabado
Partner

[redacted]

May 21, 2020

STA. LUCIA LAND, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

STA. LUCIA LAND, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AND 68.1 AS AMENDED
DECEMBER 31, 2019

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not a required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

Below is the detailed schedule of financial assets in equity securities of the Group as of December 31, 2019:

Name of Issuing entity and association of each issue	Number of Shares	Amount Shown in the Statement of Financial Position
Financial Assets at Fair Value through Other Comprehensive Income (OCI)		
Quoted:		
Philippine Racing Club, Inc.	70,786,759	₱625,754,950
Manila Jockey Club, Inc.	29,894,841	99,549,819
Unquoted:		
Uni-Asia Properties, Inc.	8,812,489	222,870,766
	109,494,089	₱948,175,535

The basis in determining the value of quoted equity securities is the market quotation on December 31, 2019 while unquoted security is valued at cost less any allowance for impairment.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of December 31, 2019:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
Exequiel D. Robles	₱17,688,878	₱1,680,000	(₱73,997)	₱19,294,881
Vicente R. Santos	5,362,826	1,680,000	–	7,042,826
Kristine May Robles	5,623,997	187.500	(32,000)	5,779,497
Aurora D. Robles	3,485,000	900,000	–	4,385,000
Antonio Robles	3,425,000	900,000	–	4,325,000
Orestes R. Santos	2,558,718	900,000	–	3,458,718
Paul Michael Robles	248,736	3,143,986	–	3,392,722
Mariza Santos Tan	2,086,618	900,000	–	2,986,618
Maria Rosario Santos	2,000,000	–	–	2,000,000
Mardon Santos	917,105	–	(65,000)	852,105

(Forward)

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
Pampolina Jeremy	₱287,548	₱141,845	₱–	₱429,393
Michelle Robles	389,452	–	(75,952)	313,500
Emerita Jingle Punzalan	297,833	–	(22,667)	275,166
Jose Manuel Escatante	140,600	–	–	140,600
Ma. Lourdes Concepcion	137,039	–	(21,715)	115,324
David M. Dela Cruz	112,166	–	–	112,166
	₱44,761,516	₱10,433,331	(₱291,331)	₱54,903,516

These advances consist of advances for expenses and disbursements necessary in carrying out their functions in the ordinary course of business such as for selling and marketing activities, official business trips, emergency and cash on delivery (COD) purchases of materials, equipment and supplies, repair of Group's vehicles, model units and housing units, registration of titles, etc. and short term loans given to officers and employees. The advances will be liquidated when the purposes for which these advances were granted are accomplished or completed or deducted from the officers'/employees' salaries if not liquidated. No amounts were written-off during the year and all amounts are presented as current.

Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables (payables) with related parties which are eliminated in the consolidated financial statements as of December 31, 2019:

	Nature	Volume of Transactions	Receivable (Payable)	Terms
Sta. Lucia Homes, Inc. (SLHI)	Advances	₱65,188	(₱4,015,190)	Non-interest bearing and to be settled within one year
Santalucia Ventures Inc. (SVI)	Advances	47,500,000	180,938,812	Non-interest bearing and to be settled within one year
			₱176,923,622	

	Balance at beginning of period	Additions	Collections	Balance at end of period
SLHI	(₱4,080,378)	₱65,188	₱–	(₱4,015,190)
SVI	190,631,047	47,500,000	(57,192,235)	180,938,812
	₱186,550,669	₱47,565,188	(₱57,192,235)	₱176,923,622

The intercompany transactions between the Parent Company and the subsidiaries pertain to commission fees and advances for the pre-operations. There were no amounts written-off during the year and all amounts are expected to be settled within the year.

Related Party Transactions

Due from related parties

Below is the list of outstanding receivable from related parties of the Group presented in the consolidated statements of financial position as of December 31, 2019:

	Relationship	Nature	Balance at end of period
Sta. Lucia Realty and Development, Inc. (SLRDI)	Ultimate Parent Company	a,b,c, d, e, f, g	₱448,224,436
Sta. Lucia East Commercial Corporation (SLECC)	Affiliate	h	44,362,520
Various mall tenants	Affiliate	h	57,273,066
Others	Affiliates	a, i	64,522,622
			₱614,382,644

Nature of intercompany transactions

The nature of the intercompany transactions with the related parties is described below:

a. Consisting of non-interest bearing advances for working capital requirements with no fixed repayment terms.
b. Pertain to receivables from offsetting agreements with common suppliers with the Ultimate Parent Company.
c. Pertain to noninterest-bearing cash advances for various charges to and from affiliated companies for reimbursements of expenses on gasoline consumption of service vehicles, repairs and maintenance, supplies, rentals for project exhibits and advertising/marketing costs.
d. Represent monthly amortization payment from the buyers of the Group remitted to the Ultimate Parent Company.
e. Pertain to the reinstated due from the Ultimate Parent Company after the after rescission of deposit on land rights and subsequently entering into a deed of assignment of shares of stock.
f. Pertain to payable to Ultimate Parent Company for the Ultimate Parent Company's share in the sale of real estate properties of the Ultimate Parent Company but developed by the Parent Company.
g. Pertains to the due from Ultimate Parent Company for the assumption of the its bank loan
h. Pertain to uncollected rental income.
i. Pertain to non-interest bearing cash advances to officers and directors.

The outstanding balances of intercompany transactions are all due and demandable as of December 31, 2019.

Schedule D. Long-term debt

The Group has long term loans amounting to ₱9,998.78 million as of December 31, 2019.

Schedule E. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	16,000,000,000	8,196,450,000	–	6,701,005,767	1,424,994	1,494,019,239

STA. LUCIA LAND, INC.
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2019

Total Unappropriated Retained Earnings - January 1, 2019		₱3,457,756,998
Less:		
Treasury shares		(1,640,000,000)
Income closed to retained earnings and other reconciling items		735,624,748
TOTAL RETAINED EARNINGS, AVAILABLE FOR DIVIDEND DECLARATION, BEGINNING		₱2,553,381,746
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	1,736,196,920	
Less: Non actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		
- Accretion income	(125,295,915)	
Movement in deferred tax that reduced the amount of income tax expense	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Unrealized foreign exchange loss - net (except those attributable to cash)	–	
Net income actually earned during the period		1,610,901,005
Add (Less):		
Dividend declarations during the period		–
Appropriations of retained earnings during the period		–
Reversals of appropriations		–
Effects of prior period adjustments		–
Treasury shares - see beginning reconciliation		–
TOTAL RETAINED EARNINGS, AVAILABLE FOR DIVIDEND DECLARATION, ENDING		₱4,164,282,751

STA. LUCIA LAND, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

Financial Soundness Indicators

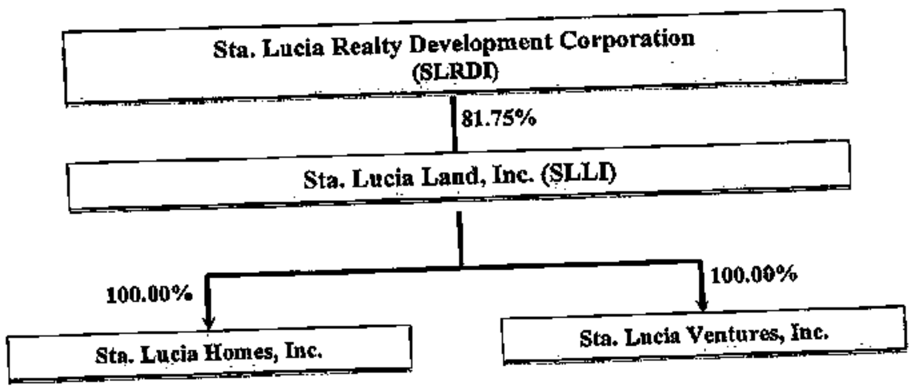
Below are the financial ratios that are relevant to the Group for the years ended December 31, 2019 and 2018:

Financial ratios		2019	2018
Current ratio	Current assets / Current liabilities	2.66:1	2.82:1
Debt to equity ratio	Total liabilities / Stockholders' Equity	0.93:1	0.94:1
Debt to total assets ratio	Total liabilities / Total assets	0.60:1	0.58:1
Return on average assets	Net income attributable to Parent Company / Average assets	4.42%	3.30%
Book value per share	Stockholders' equity / Total number of shares	₱1.97	₱1.76
Earnings per share	Net income / Total number of shares	₱0.21	₱0.12
Debt service coverage ratio	EBITDA / Debt Service	3.30:1	2.64:1

STA. LUCIA LAND, INC. AND SUBSIDIARIES

CONGLOMERATE MAP

The following chart illustrates the Group's material shareholders and subsidiaries as of the date of this Offering Memorandum.



SIGNATURES

Pursuant to the requirement of Section 17 of the Securities Regulation Code and Section 141 of the Corporate Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized in MANDALUYONG CITY on APR 12 2019

STA. LUCIA LAND, INC.
Issuer

[redacted]

VINCENTE R. SANTOS
Chairman of the Board

[redacted]

EXEQUIEL D. ROBLES
President / CEO

[redacted]

MARIZA R. SANTOS-TAN
Treasurer

[redacted]

CRYSTAL I. PRADO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 12 2019 in MANDALUYONG CITY, affiants exhibiting to me their government issued IDs, to wit:

Name	Government I.D.	Date/Place Issued
VINCENTE R. SANTOS	[redacted]	
EXEQUIEL D. ROBLES		
MARIZA R. SANTOS-TAN		
CRYSTAL I. PRADO		

JERRY B. DELA CRUZ
Notary Public for Mandaluyong City
Until 31 December 2019

[redacted]

Doc. No. 122 ;
Page No. 26 ;
Book No. XXI ;
Series 2019

STA. LUCIA LAND INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the 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 financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the 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.

[redacted]

Vicente R. Santos,
Chairman of the Board

[redacted]

Exequiel D. Robles,
President & Chief Executive Officer

[redacted]

David M. Dela Cruz
EVP - Chief Financial Officer

Signed this 4th day of April 2019
MANDALUYONG CITY APR 12 2019

SUBSCRIBED AND SWORN to before me, this ____ day of April 2019, affiant exhibiting to me their community tax certificates.

JERRY B. DELA CRUZ
Notary Public for Mandaluyong City

[redacted]

Doc. No. 124 ;
Page No. 26 ;
Book No. XXI ;
Series of 2019

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	3	1	0	5	0				

COMPANY NAME

STA. LUCIA LAND, INC. AND SUBSIDIARIES

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

Penthouse Bldg. 3, Sta. Lucia Mall, Marcos Highway cor. Imelda Avenue, Cainta, Rizal

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@stalucialand.com.ph	682-7711	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
264	Third Friday of June	12/31

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
David M. Dela Cruz	dmdelacruz@stalucialand.com.ph	681-7322	N/A

CONTACT PERSON's ADDRESS

Penthouse, Bldg. 3, Sta. Lucia East Grand Mall, Marcos Highway cor. Imelda Avenue, Cainta, Rizal

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.*

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Sta. Lucia Land, Inc. and Subsidiaries
Penthouse Bldg. 3, Sta. Lucia Mall
Marcos Highway cor. Imelda Avenue
Cainta, Rizal

Opinion

We have audited the consolidated financial statements of Sta. Lucia Land, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 is significant to our audit because this involves application of significant judgment and estimation in the following areas: (1) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (2) assessment of probability that the entity will collect the consideration from the buyer; (3) application of the output method as the measure of progress in determining real estate revenue; (4) determination of the actual costs incurred as cost of sales; and (5) recognition of cost to obtain a contract.

The Group identifies contracts that meet all the criteria required under PFRS 15 for a valid revenue contract. In the absence of signed contracts to sell, the Group identifies alternative documentation, such as reservation application, buyer's ledger and official receipts evidencing collections from buyer, that are enforceable and that contains each party's rights regarding the real estate property to be transferred, the payment terms and the contract's commercial substance.

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

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by management's project specialists (project development engineers) and managers.

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

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

The disclosures related to the adoption of PFRS 15 are included in Note 2 to the consolidated financial statements.

Audit Response

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

For the identification of alternative documentation for sale of real estate property (in the absence of a signed contract to sell) that would meet the requirements of PFRS 15, our audit procedures include, among others, involvement of our internal specialist in reviewing the Group's legal basis regarding the enforceability of the alternative documentation, and reference to buyers' behavior and industry practices.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold.

For the application of the output method, in determining revenue from real estate sales, we obtained an understanding of the Group's processes for determining the POC and performed tests of relevant controls. We obtained the project accomplishment reports (PAR) certified by the project development engineers. The project accomplishment reports show the completion of the projects to date. We assessed the competence and objectivity of the project development engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries with the project development engineers.

For the cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed, to supporting documents such as project accomplishment reports and liquidation reports from contractors.

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

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

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Adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Group adopted PFRS 9, *Financial Instruments*. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, introduces a forward-looking expected credit loss model (ECL) to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group adopted the modified retrospective approach in adopting PFRS 9.

1. Classification and Measurement of Financial Assets

As at January 1, 2018 (the transition date), the Group classified its financial assets based on its business models for managing these financial assets and the contractual cash flow characteristics of the financial assets. This resulted to transition adjustments that increased other comprehensive income by ₱70.00 million. Thereafter, the financial assets were accounted for based on the transition date classification, while newly originated or acquired financial assets were also classified based on the PFRS 9 classification criteria.

The Group's application of the PFRS 9 classification criteria is significant to our audit as the classification determines how the financial assets are measured and accounted for in the financial statements.

The Group has investment in unquoted equity securities carried at fair value through other comprehensive income (OCI). As of December 31, 2018, the investment's carrying value amounted to ₱159.53 million. In determining the fair value of this investment, the Group engaged external valuer and exercised judgments in selecting the appropriate valuation methodology. This includes the use of adjusted net asset method, using assumptions and inputs taking into consideration the industry where the investee operates. This matter is significant to our audit because estimating the fair value of an unquoted equity securities involves the use of valuation inputs that are not observable in the market.

The disclosures in relation to the adoption of the PFRS 9 classification criteria are included in Note 2 to the consolidated financial statements.

Audit Response

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

We recalculated the net asset value (NAV) of the investee Company by obtaining its net book value which was adjusted to fair values, as determined by the independent valuer. The resulting adjusted NAV was compared to the amount reported by the Company. In addition, we evaluated the competence, capabilities and qualifications of the external valuer by considering their qualifications, experience and reporting responsibilities. We compared the relevant information supporting the fair value, as determined by the external valuer, against a range of values using market approach.

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

2. Expected Credit Loss

The Group's adoption of the ECL model on its installment contracts receivables and contract assets is significant to our audit as it involves the exercise of significant management judgment and estimation. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate lifetime ECL; defining default; determining assumptions to be used in the ECL model such as the expected life of the financial asset and timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

Refer to Notes 2 and 3 to the consolidated financial statements for the related disclosure on the application of the ECL model.

Audit Response

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

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place; (d) tested loss given default by inspecting historical recoveries including the timing, related direct costs, and write-offs; (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information; and (f) tested the effective interest rate, or an approximation thereof, used in discounting expected loss.

Further, we checked the data used in the ECL models, such as the historical analysis of defaults, and recovery data, by reconciling data from source system reports to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced the disaggregation from source systems to the loss allowance analysis.

We evaluated the disclosures made in the consolidated financial statements on allowance for credit losses using the ECL model.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Michael C. Sabado.

SYCIP GORRES VELAYO & CO.

[redacted]

Michael C. Sabado
Partner

[redacted]

April 10, 2019

STA. LUCIA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2018	December 31, 2017 (As restated, Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 27)	**₱1,064,532,966**	₱626,239,307
Receivables (Notes 6, 19 and 27)	**1,874,020,117**	2,686,837,726
Contract assets (Notes 4 and 6)	**701,474,368**	–
Real estate inventories (Note 7)	**18,303,658,167**	16,027,804,597
Other current assets (Note 8)	**5,204,059,201**	2,753,835,484
Total Current Assets	**27,147,744,819**	22,094,717,114
Noncurrent Assets		
Installment contracts receivables - net of current portion (Notes 6 and 27)	**494,776,775**	1,499,767,330
Contract assets - net of current portion (Note 4)	**673,086,938**	–
Investment properties (Note 10)	**5,154,483,562**	5,157,615,826
Property and equipment (Note 11)	**44,535,128**	55,746,018
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9 and 27)	**985,036,600**	–
Available-for-sale financial assets (AFS) (Notes 9 and 27)	**–**	878,032,737
Other noncurrent assets	**216,496,836**	121,134,211
Total Noncurrent Assets	**7,568,415,839**	7,712,296,122
	₱34,716,160,658	₱29,807,013,236
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12, 19 and 27)	**₱3,990,826,478**	₱2,992,200,850
Short-term debt (Notes 14 and 27)	**3,608,000,000**	5,475,000,000
Contract liabilities (Notes 4, 6 and 13)	**2,017,661,692**	–
Income tax payable	**19,894,432**	46,184,278
Customers' deposits (Notes 4 and 13)	**–**	1,223,413,496
Total Current Liabilities	**9,636,382,602**	9,736,798,624
Noncurrent Liabilities		
Long-term debt (Notes 14 and 27)	**9,998,775,240**	5,039,663,054
Contract liabilities - net of current portion (Notes 4, 6 and 13)	**45,409,032**	–
Pension liabilities (Note 20)	**5,496,160**	2,154,455
Deferred tax liabilities - net (Note 24)	**575,790,597**	718,442,303
Total Noncurrent Liabilities	**10,625,471,029**	5,760,259,812
Total Liabilities	**20,261,853,631**	15,497,058,436
Equity		
Capital stock (Note 15)	**10,796,450,000**	10,796,450,000
Additional paid-in capital	**330,004,284**	330,004,284
Retained earnings (Note 15)	**4,402,362,924**	3,461,949,860
Treasury shares (Note 15)	**(1,640,000,000)**	(740,000,000)
Net unrealized gain on fair value of financial assets at FVOCI/AFS (Note 9)	**568,768,194**	461,764,331
Remeasurement losses on pension liabilities (Note 20)	**(3,278,375)**	(213,675)
Total Equity	**14,454,307,027**	14,309,954,800
	₱34,716,160,658	₱29,807,013,236

See accompanying Notes to Consolidated Financial Statements.

STA. LUCIA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Real estate sales (Notes 3, 4, 21 and 22)	**₱2,428,307,857**	₱2,108,492,387	₱1,889,582,634
Rental income (Notes 4, 10, 19, 22 and 23)	**858,758,442**	1,026,099,885	852,490,997
Interest income (Note 16)	**300,973,297**	160,047,822	139,513,712
Commission income	**181,286,064**	109,263,232	105,239,098
Construction income	–	1,612,700	25,591,746
Dividend income (Note 9)	**7,157,683**	7,157,683	7,157,683
Others (Note 17)	**255,736,621**	276,625,704	273,352,497
	4,032,219,964	3,689,299,413	3,292,928,367
COSTS OF SALES AND SERVICES			
Cost of real estate sales (Notes 7, 21 and 22)	**959,025,588**	860,882,958	946,430,049
Cost of rental income (Notes 10, 17 and 22)	**553,974,130**	583,993,393	581,212,249
Cost of construction	–	943,899	16,378,994
	1,512,999,718	1,445,820,250	1,544,021,292
SELLING AND ADMINISTRATIVE EXPENSES			
Commissions	**324,666,305**	243,968,182	278,861,526
Taxes, licenses and fees	**70,826,085**	98,388,080	100,385,982
Salaries and wages and other benefits (Notes 19 and 20)	**65,093,880**	64,083,755	55,644,323
Advertising	**59,715,755**	56,336,866	50,979,006
Repairs and maintenance	**33,631,046**	17,045,872	30,196,053
Professional fees	**21,077,509**	31,402,473	20,828,646
Representation	**17,987,405**	19,713,990	11,320,093
Depreciation and amortization (Note 11)	**16,950,967**	19,825,280	20,017,865
Utilities	**7,476,177**	21,894,451	13,684,987
Expected credit loss (Note 6)	**1,393,944**	2,550,308	2,911,115
Transportation, travel, office supplies and miscellaneous	**51,579,006**	49,608,318	42,031,393
	670,398,079	624,817,575	626,860,989
INTEREST EXPENSE (Notes 14 and 18)	**706,707,500**	487,638,932	290,365,003
INCOME BEFORE INCOME TAX	**1,142,114,667**	1,131,022,656	831,681,083
PROVISION FOR INCOME TAX (Note 24)	**76,935,383**	313,371,404	101,302,394
NET INCOME	**1,065,179,284**	817,651,252	730,378,689
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Unrealized gains on fair value of available-for-sale financial assets (Note 9)	–	25,976,439	36,479,202
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Unrealized gains on fair value of financial assets at FVOCI (Note 9)	**37,007,331**	–	–
Remeasurement gains (losses) on pension liabilities - net of tax (Note 20)	**(3,064,700)**	359,984	(597,166)
	33,942,631	26,336,423	35,882,036
TOTAL COMPREHENSIVE INCOME	**₱1,099,121,915**	₱843,987,675	₱766,260,725
Basic/Diluted Earnings Per Share (Note 25)	**₱0.12**	₱0.09	₱0.08

See accompanying Notes to Consolidated Financial Statements.

STA. LUCIA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital stock (Note 15)	Additional paid-in capital (Note 15)	Treasury stock (Note 15)	Retained earnings	Unrealized gains on fair value of financial assets at FVOCI/AFS (Note 9)	Remeasurement gains (losses) on pension liabilities - net of tax (Note 20)	Total
				For the Year Ended December 31, 2018			
Balances as of January 1, 2018	**₱10,796,450,000**	**₱330,004,284**	**(₱740,000,000)**	**₱3,461,949,860**	**₱461,764,331**	**(₱213,675)**	**₱14,309,954,800**
Effect of adoption of new standards (Note 2)	–	–	–	**(124,766,220)**	**69,996,532**	–	**(54,769,688)**
Balances as of January 1, 2018, as restated	**10,796,450,000**	**330,004,284**	**(740,000,000)**	**3,337,183,640**	**531,760,863**	**(213,675)**	**14,255,185,112**
Acquisition of treasury shares							
(750.00 million shares at ₱1.20 per share)	–	–	**(900,000,000)**	–	–	–	**(900,000,000)**
Comprehensive income							
Net income	–	–	–	**1,065,179,284**	–	–	**1,065,179,284**
Other comprehensive income (loss)	–	–	–	–	**37,007,331**	**(3,064,700)**	**33,942,631**
Total comprehensive income	–	–	–	**1,065,179,284**	**37,007,331**	**(3,064,700)**	**1,099,121,915**
Balances as of December 31, 2018	**₱10,796,450,000**	**₱330,004,284**	**(₱1,640,000,000)**	**₱4,402,362,924**	**₱568,768,194**	**(₱3,278,375)**	**₱14,454,307,027**
				For the Year Ended December 31, 2017			
Balances as of January 1, 2017	₱10,796,450,000	₱330,004,284	(₱740,000,000)	₱2,644,298,608	₱435,787,892	(₱573,659)	₱13,465,967,125
Comprehensive income							
Net income	–	–	–	817,651,252	–	–	817,651,252
Other comprehensive income	–	–	–	–	25,976,439	359,984	26,336,423
Total comprehensive income	–	–	–	817,651,252	25,976,439	359,984	843,987,675
Balances as of December 31, 2017	₱10,796,450,000	₱330,004,284	(₱740,000,000)	₱3,461,949,860	₱461,764,331	(₱213,675)	₱14,309,954,800
				For the Year Ended December 31, 2016			
Balances as of January 1, 2016	₱10,796,450,000	₱330,004,284	(₱740,000,000)	₱1,913,919,919	₱399,308,690	₱23,507	₱12,699,706,400
Comprehensive income							
Net income	–	–	–	730,378,689	–	–	730,378,689
Other comprehensive income (loss)	–	–	–	–	36,479,202	(597,166)	35,882,036
Total comprehensive income (loss)	–	–	–	730,378,689	36,479,202	(597,166)	766,260,725
Balances as of December 31, 2016	₱10,796,450,000	₱330,004,284	(₱740,000,000)	₱2,644,298,608	₱435,787,892	(₱573,659)	₱13,465,967,125

See accompanying Notes to Consolidated Financial Statements.

STA. LUCIA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017 (As restated, Note 2)	2016 (As restated, Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,142,114,667**	₱1,131,022,656	₱831,681,083
Adjustments for:			
Interest expense (Notes 14 and 18)	**706,707,500**	487,638,932	290,365,003
Depreciation and amortization (Notes 10, 11 and 17)	**127,996,501**	170,772,505	170,175,505
Retirement expense (Note 20)	**963,562**	990,379	847,432
Loss on retirement of property and equipment	**624,620**	–	–
Dividend income (Note 9)	**(7,157,683)**	(7,157,683)	(7,157,683)
Gain on repossession of inventories (Notes 7 and 17)	**(34,897,007)**	(45,317,126)	(32,439,532)
Interest income (Notes 5, 6 and 16)	**(300,973,297)**	(160,047,822)	(139,513,712)
Operating income before changes in working capital	**1,635,378,863**	1,577,901,841	1,113,958,096
Changes in working capital:			
(Increase) decrease in:			
Receivables (Notes 27 and 28)	**1,077,120,947**	(750,332,186)	(327,531,678)
Real estate inventories (Notes 7 and 28)	**(2,124,413,306)**	(3,859,266,105)	(2,781,767,777)
Other current assets (Notes 8 and 28)	**(2,814,418,050)**	(297,137,183)	(984,598,457)
Contract assets (Notes 4 and 6)	**(1,374,561,306)**	–	–
Increase (decrease) in:			
Accounts and other payables (Notes 12 and 28)	**1,177,239,495**	64,539,985	944,087,538
Contract liability (Notes 4 and 6)	**839,657,228**	–	–
Customers' deposits (Notes 13 and 28)	–	314,757,212	268,905,006
Net cash used in operations	**(1,583,996,129)**	(2,949,536,436)	(1,766,947,272)
Interest received	**190,322,415**	107,566,339	75,923,387
Income taxes paid	**(244,563,492)**	(128,425,760)	(109,225,772)
Net cash used in operating activities	**(1,638,237,206)**	(2,970,395,857)	(1,800,249,657)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Notes 10 and 28)	**(104,639,672)**	(151,302,353)	(467,930,069)
Available for sale-financial assets (Notes 9 and 28)	–	(7,893,438)	(81,458,333)
Property and equipment (Note 11)	**(6,778,748)**	(13,088,482)	(40,192,381)
Other noncurrent assets	**(95,362,625)**	(96,701,708)	(34,331,150)
Contribution to plan asset (Note 20)	**(2,000,000)**	(2,000,000)	–
Dividends received	**1,958,397**	–	9,740,326
Net cash used in investing activities	**(206,822,648)**	(270,985,981)	(614,171,607)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans, net of transaction costs (Note 14)	**9,211,973,800**	9,759,125,000	1,198,000,000
Payment of loans (Note 14)	**(6,148,000,000)**	(5,617,000,000)	(500,000,000)
Payment of interest (including capitalized borrowing costs)	**(780,250,496)**	(444,252,555)	(360,432,604)
Increase (decrease) in payable to related parties	**(369,791)**	29,298,263	2,302,702
Net cash provided by financing activities	**2,283,353,513**	3,727,170,708	339,870,098
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**438,293,659**	485,788,870	(2,074,551,166)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**626,239,307**	140,450,437	2,215,001,603
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱1,064,532,966**	₱626,239,307	₱140,450,437

See accompanying Notes to Consolidated Financial Statements.

STA. LUCIA LAND, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Sta. Lucia Land, Inc. (SLLI or the Parent Company) is a publicly-listed company incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 6, 1966 under the name Zipporah Mining and Industrial Corporation. On August 14, 1996, the Parent Company's Articles of Incorporation was amended.

Under the amendment, it changed the corporate name to Zipporah Realty Holdings, Inc. and it transferred the original primary purpose to secondary purpose from being a mining firm to a real estate company with the amended primary purpose to acquire by purchase, lease, and to own and develop and hold for investment and/or disposal, real estate of all kinds together with their appurtenances.

On July 16, 2007, the Parent Company changed its corporate name from Zipporah Realty Holdings, Inc. to Sta. Lucia Land, Inc.

The end of the corporate life of the Parent Company was December 5, 2016. On June 16, 2016, the SEC approved the extension of the Parent Company's life to another 50 years up to December 5, 2066.

The registered office address and principal place of business of the Parent Company and its subsidiaries (collectively referred to as the Group) is at Penthouse Bldg. 3, Sta. Lucia Mall, Marcos Highway cor. Imelda Avenue, Cainta, Rizal.

The Group is 81.75% owned by Sta. Lucia Realty and Development Inc. (SLRDI or the Ultimate Parent Company).

As delegated by the Board of Directors (BOD), the accompanying consolidated financial statements were approved and authorized for issue by the Executive Committee and Audit Committee on April 10, 2019.

2. Basis of Preparation and Other Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency and all values are rounded to nearest Philippine peso except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular Nos. 14-2018 and 3-2019 as discussed in the section below on Adoption of New and Amended Accounting Standards and Interpretations. PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018.

A subsidiary is an entity which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or 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 Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expense 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. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements include the financial statements of the Parent Company and the following wholly owned subsidiaries. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	% of Ownership
Sta. Lucia Homes, Inc. (SLHI)	100.00%
Santalucia Ventures, Inc. (SVI)	100.00

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRSs which became effective January 1, 2018. The nature and impact of each new standard and amendment are described below:

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The Group has no share-based payment transaction, therefore these amendments do not have any impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments*

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

  The Group applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated 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.

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

	As previously reported December 31, 2017	**Reference**	**Adjustment**	**As restated January 1, 2018**
Available-for-sale financial assets	₱878,032,737	(a)	(₱878,032,737)	₱–
Financial assets at fair value through other comprehensive income (FVOCI)	–	(a)	948,029,269	948,029,269
Retained earnings	3,461,949,860	(a)	(72,745,004)	3,389,204,856
Net unrealized gain on financial assets at FVOCI	–	(a)	531,760,863	531,760,863
Net unrealized gain on fair value of available-for-sale financial assets	461,764,331	(a)	(461,764,331)	–

The nature of adjustments are described below:

(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 assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' 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 retrospectively 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 to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are changes in the classification of the Group's financial assets:

- Cash and cash equivalents and installment contracts receivables 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 financial assets at amortized cost beginning January 1, 2018.

- Equity investments in listed and non-listed companies previously classified as Available-for-sale (AFS) financial assets are now classified and measured as financial assets designated at fair value through OCI. The Group elected to classify irrevocably its equity investments under this category as it intends to hold these investments for the foreseeable future.

  As a result of the change in classification and measurement, the Group's investment in unquoted securities was valued at fair value using the adjusted net asset method. Under this method, all the assets consisting mainly of real estate properties and liabilities of an investee are measured at fair value. The Group intends to hold its AFS financial assets at OCI for the long term. The investment currently recognized at cost amounting ₱92.89 million was measured at fair value with a gain amounting ₱70.00 million as at January 1, 2018 to be presented as unrealized gain on financial assets at FVOCI.

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.

		PFRS 9 Measurement Categories		
PAS 39 Categories	Balances	Fair value through profit of loss	Amortized cost	Fair value through OCI
Loans and receivables				
Cash and cash equivalents	₱626,239,307	₱	₱626,239,307	₱–
Receivables	4,186,605,056	-	4,186,605,056	–
Available-for-sale financial assets	878,032,737	-	–	948,029,269
	₱5,690,877,100	₱	₱4,812,844,363	₱948,029,269

(b) Impairment
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 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.

The Group has applied the standard's simplified approach on installment contracts receivables and contract assets, 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 used the simplified approach to calculate ECLs for installment contracts receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by region and product type).

The simplified approach 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 foreign exchange growth rate and bank lending rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

In addition, primary drivers like macroeconomic indicators such as forward looking data on foreign exchange growth rate and bank lending rates 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 four (4) years for the origination, maturity date and default date. The Group defines default as the buyer's inability to meet its monthly amortization on time or late payments. The Group understands that the buyer may no longer fulfill its contractual obligation. The Group applies conservative approach as its definition of default, thus, the Group recognizes ECL when such uncertainty exists at the onset the buyer fails to pay its dues on time.

The probability of default (PD) 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. For purposes of calculating loss given default, accounts are segmented based on type and location of real estate project. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Maceda law, cost to complete (for incomplete units).

As these are future cash flows, these are discounted back to the reporting date using the appropriate effective interest rate, usually being the original effective interest rate or an approximation thereof.

For other financial assets such as accrued receivable, receivable from related parties and advances to other companies, 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, 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 Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The transition adjustment in relation to the impairment allowance as of January 1, 2018 amounted to ₱72.75 million.

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  These amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with 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 PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues on PFRS 15 affecting the real estate industry. On October 25, 2018 and February 8, 2019, the 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 three years until December 31, 2020:

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
d. Accounting for cancellation of real estate sales as discussed in PIC Q&A No. 2018-14

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

The SEC Memorandum Circular 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 to the consolidated financial statements had the concerned application guideline in the PIC Q&A had 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.

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&As. Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.

b. The Group is acting as principal on air-conditioning services, common use service areas and administration and handling services. This would have resulted to the gross presentation of the related revenue and the related expenses and cost. Currently, the related revenue is presented net of costs and expenses. These would not result to any adjustment in the retained earnings as of January 1, 2018 and net income for 2018.

c. Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would not impact the retained earnings as at January 1, 2018 and gain/(loss) from repossession in 2018. Currently, the Group records the repossessed inventory at its fair value less cost to sell and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this 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 as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related interpretations.

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

	As previously reported December 31, 2017	Reference	Increase (decrease)	As restated January 1, 2018
ASSETS				
Current Assets				
Installment contracts receivables	₱770,312,214	(a)	(₱440,787,633)	₱329,524,581
Contract assets	–	(a)	440,787,633	440,787,633
Other current assets	2,753,835,484	(b)	15,219,338	2,769,054,822
	3,524,147,698		15,219,338	3,539,367,036
Noncurrent Assets				
Installment contracts receivables - net of current portion	1,499,767,330	(a)	(825,479,801)	674,287,529
Contract assets - net of current portion	–	(a)	825,479,801	825,479,801
	1,499,767,330		–	1,499,767,330
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payable	₱2,992,200,850	(c)	₱67,240,554	₱3,059,441,404
Customers' deposit	1,223,413,496	(a)	(1,223,413,496)	–
Contract liabilities	–	(a)	1,223,413,496	1,223,413,496
	4,215,614,346		67,240,554	4,282,854,900
Equity				
Retained earnings	3,461,949,860	(b)(c)	(52,021,216)	3,409,928,644

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

Consolidated Statement of Financial Position as at December 31, 2018:

		Amounts prepared under		Increase
	Reference	PFRS 15	Previous PFRS	(decrease)
ASSETS				
Contract assets	(a)			
Current portion		₱701,474,368	₱–	₱701,474,368
Noncurrent portion		673,086,938	–	673,086,938
Installment contracts receivables	(a)			
Current portion		753,282,880	1,454,757,248	(701,474,368)
Noncurrent portion		494,776,775	1,167,863,713	(673,086,938)
Other current assets	(b)	5,204,059,201	5,174,036,828	30,022,373
Liabilities and Equity				
Liabilities				
Accounts and other payable	(c)	₱4,049,860,029	₱3,887,376,517	₱162,483,512
Customers' deposit	(a)	–	2,063,070,724	(2,063,070,724)
Contract liabilities	(a)			
Current portion		2,017,661,692	–	2,017,661,692
Noncurrent portion		45,409,032	–	45,409,032
		6,112,930,753	5,950,447,241	162,483,512
Equity				
Retained earnings	(b)(c)	4,402,362,924	4,534,824,063	(132,461,139)

Consolidated Statement of Comprehensive Income as at December 31, 2018:

		Amounts prepared under		
			Previous	Increase
	Reference	PFRS 15	PFRS	(decrease)
Other income - processing fees	(c)	₱58,193,015	₱153,435,973	(₱95,242,958)
Commission expense	(b)	324,666,305	339,469,339	(14,803,034)

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 comprehensive income for the year ended December 31, 2018 are described below:

(a) The Group records any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contracts receivables, as contract asset while the excess of collection 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 liability is not presented separately from customers' deposit. For those receivables with interest rate explicit in the contract, the Group records interest income based on the principal amount multiplied by the applicable interest rate.

The above resulted to recording of contract asset of ₱1,266.27 million and contract liability of ₱1,223.41 million as at January 1, 2018.

As at December 31, 2018, PFRS 15 increased contract asset and contract liability by ₱1,374.56 million and ₱2,063.07 million, respectively, and decreased installment contracts receivables and customers' deposit by the same amount.

(b) The Group has sales agents who are responsible for the marketing and sale of its real estate projects. These real estate sales agents typically receive the whole sales commission. 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 the adoption of PFRS 15, the sales commissions are expensed as paid and there is no accrual for the unpaid portion of the total expected payment upon entering into the contract.

The above resulted to increase in other current assets of ₱15.22 million and increase in retained earnings by the same amount as of January 1, 2018.

As at December 31, 2018, PFRS 15 increased other current assets and decreased in commission expense in by ₱30.02 million and ₱14.80 million, respectively.

(c) The Group records the processing and registration fee collected from customers as unearned income under the accounts and other payables. These are recognized to income when services are rendered. Before the adoption of PFRS 15, the processing and registration fee are recorded as income upon collection.

The above resulted to increase in accounts and other payable of ₱67.24 million and decrease in retained earnings by the same amount as of January 1, 2018.

As at December 31, 2018, PFRS 15 increased accounts and other payable by ₱162.48 million and decreased in other income by ₱95.24 million.

PIC Q&A on Advances to Contractors
The Group adopted PIC Q&A 2018-15, *PAS 1 - Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018. The impact of adoption is applied retrospectively which resulted to the following reclassifications in the consolidated statement of financial position as at January 1, 2018.

		Reclassified to	
	Reference	Current Assets	Noncurrent Assets
Advances to contractors	(a)	₱–	₱86,086,474

(a) Advances to contractors previously presented under current assets, represent payments made in advance for construction of investment property which will be settled through recoupment against the contractors' billings, was reclassified to non-current asset. Before the adoption of PIC Q&A 2018-15, the classification of the Group is based on timing of application of these advances against billings and timing of delivery of goods and services. The interpretation aims to classify the prepayment based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g. investment property, see Note 10).

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

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

  The amendments do not have material impact on the Group's consolidated financial statements.

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

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

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

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

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

Future Changes in Accounting Policy
The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on the financial statements.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  The Group is currently assessing the impact of adopting this interpretation.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

  The Group is currently assessing the impact of adopting this standard.

- 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; and,
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Group is currently assessing the impact of adopting this interpretation.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Annual Improvements 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 recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised 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. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

- 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.

  The Group is currently assessing the impact of adopting this amendment.

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 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 with PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

The new standard is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

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, *Business Combinations*.

  Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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.

  The Group is currently assessing the impact of adopting these amendments.

Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current and 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 twelve (12) months after the reporting period; or
- cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (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 primarily for the purpose of trading;
- it is due to be settled within twelve (12) months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Cash and cash equivalent
Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rate. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placement and are subject to insignificant risk of changes in value.

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.

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.

"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 profit or loss under interest income, unless it qualifies for recognition as some other type of asset or liability.

In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

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

Financial Instruments
Date of recognition
The Group recognizes financial assets and liabilities in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

Recognition and Measurement of 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 of financial instruments
Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at FVPL.

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is referred to as the 'solely payments of principal and interest 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.

As of December 31, 2018, the Group's financial assets comprise of financial assets at amortized cost and financial assets at FVOCI.

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 though profit or loss

Financial assets at amortized cost
Financial assets are measured at amortized cost if both of the following conditions are met:
- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument 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 costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the consolidated statement of comprehensive income.

The Group classified cash and cash equivalents, installment contracts receivables and other receivables as financial assets at amortized cost (see Notes 5, 6 and 27).

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive 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.

The Group does not have debt instruments at fair value through OCI.

Financial assets at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI 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 comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets at fair value through OCI includes investments in quoted and unquoted equity instruments.

Dividends earned on holding these equity instruments are recognized in the consolidated statement of comprehensive income when the Group's right to receive the dividends is established in accordance with PFRS 15, unless the dividends clearly represent recovery of a part of the cost of the investment.

Financial assets at fair value through profit or loss
Financial assets at fair value though 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 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 amortised 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.

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 pay.

Reclassification of financial assets
The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- from FVPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVPL at initial recognition is not permitted. A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

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.

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

For cash and cash equivalents, 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 lifetime ECL. The Group uses the ratings from the Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 120 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.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

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

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

As of December 31, 2018 and 2017, the Group's other financial liabilities consist of accounts and other payables (excluding statutory liabilities), short-term debt and long-term debt.

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 entered into by the Group 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 comprehensive income.

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

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

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

This category generally applies to short-term and long-term debts.

Other financial liabilities
Subsequent to initial recognition, the Group's financial liabilities are carried at amortized cost. Amortized cost is calculated by taking into account any other discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortization is included as finance costs in the consolidated statement of comprehensive income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

This category generally applies to the Group's accounts and other payables (excluding statutory liabilities).

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 comprehensive income.

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

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

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a liability on the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivables, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Group's financial instruments are of the nature of loans and receivables, available-for-sale (AFS) financial assets, and other financial liabilities.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and

fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in "Interest Income" in the statement of comprehensive income. The losses arising from impairment of such loans and receivables are recognized in the statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's trade receivables and noncurrent installment contracts receivables.

AFS financial assets
AFS financial assets are nonderiverative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Unrealized Gains (Losses) on Fair Value of Available-for-Sale Financial Assets" in the other comprehensive income section of the statement of comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as gain or loss on disposal in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair values of unquoted equity instruments, then instruments are carried at cost less any allowance for impairment losses.

Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS debt investments are reported as interest income using the EIR method.

Dividends earned on holding AFS equity investments are recognized in profit or loss as "Dividend Income" when the right to receive payment has been established.

AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

The Group's AFS financial assets pertain to both quoted and unquoted equity securities included under "Available-for-Sale Financial Assets" account in the statement of financial position. The Group's quoted equity securities pertain to investments in casinos and gaming company while unquoted securities pertain to investment in real estate company.

Other financial liabilities
Other financial liabilities pertain to financial liabilities not classified or designated as financial liabilities at FVPL where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process.

As of December 31, 2018 and 2017, the Group's other financial liabilities consist of accounts and other payables (excluding statutory liabilities), short-term debt and long-term debt.

Debt Issuance Costs
Debt issuance costs represent costs arising from fees incurred to obtain loans. Debt issuance costs are deducted against loans payable and are amortized over the terms of the related borrowings using the EIR method.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Financial assets carried at amortized costs, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date

AFS financial assets carried at fair value
For AFS financial assets, the Group assesses at each financial reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below their costs. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original 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 statement of comprehensive income - is removed from other comprehensive income and recognized in profit and loss. In case of unquoted AFS, the Group obtains other basis of recoverable value such as the recent net asset value of the investee or forecast of financial performance of the investee. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

AFS financial assets carried at cost
If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

a. the right to receive cash flows from the asset has expired or

b. 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 the risks and rewards of the asset but has transferred the control of the asset.

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

Financial liability
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 profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount 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.

Real Estate Inventories
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation or will be occupied by the Group, is held as inventory and is measured at the lower of cost and net realizable value (NRV). In few cases of buyer defaults, the Group can repossess the properties and held it for sale in the ordinary course of business at the prevailing market price. The repossessed properties are included in the "Real Estate Inventories" account in the consolidated statement of financial position. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts unless these exceed the recoverable values.

Cost includes the purchase price of land and those costs incurred for the development and improvement of the properties such as amounts paid to contractors for construction, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, 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 of completion and the estimated costs of sale.

Other Current Assets
Other current assets are carried at cost and pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. These include prepayments of construction costs and deferred portion of commissions paid to sales or marketing agents that are yet to be charged to the period the related revenue is recognized.

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and that are not occupied by the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction in progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time that the relevant assets are available for their intended use.

Depreciation of investment properties is computed using the straight-line method over the estimated useful lives of the assets and included under "Costs of Rental Income" in the consolidated statement of comprehensive income. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties. The estimated useful lives of investment properties follow:

	Years
Land improvements	40
Buildings and improvements	40
Machinery and equipment	5 to 10

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

Transfers are made to investment properties 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 property 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.

The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group engages independent valuation specialist to assess the fair values as at December 31, 2018 and 2017. The Group's investment properties consist of land and building pertaining to properties, mall and office properties. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the assets are put into operational use and is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Office tools and equipment	3 to 5
Transportation equipment	5
Furniture and fixtures	3 to 5
Software	3 to 5

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

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation and amortization is charged against current operations.

Interests in Joint Operations

Interests in joint operations represent one or more assets, usually in the form of real estate development, contributed to, or acquired for the purpose of the joint operations and dedicated to the purposes of the joint operations. The assets are used to obtain benefits for the operators. Each operator may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint operations do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the operators themselves. Each operator has control over its share of future economic benefits through its share of the jointly operations. Contribution of the Group to the joint operations are included in real estate inventories.

Impairment of Nonfinancial Assets

This accounting policy relates to the other current assets, investment properties and property and equipment.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. 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 comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge 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.

Customers' Deposits (Prior to January 1, 2018)
Customers' deposits represent payment received from customer accounts which have not yet reached the minimum required percentage for recording real estate sale transaction. When the level of required payment is reached, sales are recognized and these deposits and down payments will be applied against the related receivable.

Under the percentage of completion method of recognizing sales for real estate, when a real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, cash received from customers are recorded under "Customers' Deposits" account in the consolidated statement of financial position. It is also recognized when the cash received from customers is greater than the receivable from customers under percentage of completion. Subsequently, customers' deposits are applied against receivable from customers as a result of the recognition of sales through completion of the project.

Pension Liabilities
The Group has a funded, noncontributory defined benefit retirement plan covering substantially all of its qualified employees. The Group's pension liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit (PUC) method.

Defined benefit costs comprise the following:

(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements 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 profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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 high quality corporate 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 profit or loss.

Remeasurements 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 OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. 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).

The 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.

Equity

The Group records capital stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds and charged to "Additional Paid-in Capital" (APIC) account. If APIC is not sufficient, the excess is charged against retained earnings.

Retained earnings represent accumulated earnings of the Group less dividends declared. The individual accumulated retained earnings of the subsidiaries are available for dividend declaration when they are declared by the subsidiaries as approved by their respective BOD.

Treasury Shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in the profit and loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Revenue Recognition effective January 1, 2018

Revenue from Contract with Customers

The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. 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 the principal in its revenue arrangements, except for the provisioning of water and electricity in its mall retail spaces and 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.

Real estate sales
The Group derives its real estate revenue from sale of lots, house and lot 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.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the quarterly project accomplishment report prepared by the management's project specialists (project development engineers) as approved by the project manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contracts receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

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

Cost of real estate sales
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as 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.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which changes are determined.

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.

Costs to obtain contract (Commission expense)
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 "Selling and administrative expense" account in the consolidated statement of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract Balances

Installment Contracts Receivables

Installment contracts receivables represent 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. Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Contract fulfillment assets

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable. The Group's contract fulfillment assets pertain to land acquisition costs.

The Group's contract fulfillment assets pertain to land acquisition costs.

Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization of contract fulfillment assets and cost to obtain a contract is included within "Cost of real estate sales" and "Selling and administrative expense", respectively.

A contract fulfillment asset or 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.

At each reporting date, the Group determines whether there is an indication that the contract fulfillment asset or capitalized cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Others
Other income is derived from processing the registration of properties of buyers, collection from surcharges and penalties for late payments which are recognized when services are rendered.

Other income also includes profit share in hotel operations which is derived from the Group's share in service income, net of operating expenses, from units in a specific property development which is being operated as a hotel by a third party. Income is recognized when earned.

Revenue Recognition prior to January 1, 2018

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In arrangements where the Group is acting as the principal to its customers, revenue is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue. The Group has concluded that it is acting as principal in all of its revenue arrangements except for its commission income where the Group is acting as an agent.

Real estate sales
For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial payment (buyers' equity) and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the percentage-of-completion method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, 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 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.

Any excess of collections over the recognized receivables are included in the "Customers' Deposits" account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' Deposits" account in the consolidated statement of financial position.

For sales transactions with its supplier whereby the Group sells subdivision land and condominium units in exchange for the delivery of the equivalent value of construction materials or services, the same revenue recognition policy as above is applied, except that buyer's equity is measured based on the fair value of materials and services received to date. For materials and services received to date, pending recognition of sale, these are presented as "Offsetting Payable" under accounts and other payables in the liabilities section of the consolidated statement of financial position until the criteria for revenue recognition are met.

Cost of real estate
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate inventories sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Commission expense
The commission is charged to expense when a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Others
Other income is derived from processing the registration of properties of buyers, collection from surcharges and penalties for late payments which are recognized as revenue upon collection.

Other income also includes profit share in hotel operations which is derived from the Group's share in service income, net of operating expenses, from units in a specific property development which is being operated as a hotel by a third party. Income is recognized when earned.

<u>Other Revenue and Income Recognition</u>
Rental income
Rental income arising from operating leases on investment properties is recognized in the consolidated statement of comprehensive income as follows:

- Based on certain percentage of net income of operator after adjustments on shared expenses, as provided in the terms of the contract.

- Based on a straight-line basis over the term of the lease plus a certain percentage of sales of the tenants, as provided under the terms of the contract.

Construction income
Construction income on housing units is recognized by reference to the recoverable costs incurred

during the period plus the fee earned, measured by the proportion of costs incurred to date compared to the estimated total cost of the contract.

Interest income
Interest income is recognized as it accrues using the EIR method.

Commission income
Commission income on promotions and marketing services is recognized when services are rendered.

Dividend income
Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Costs and Expenses
Costs and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of comprehensive income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Cost of rental income
Cost of rental income is mostly coming from depreciation, utilities and management fees. These are recognized as cost when incurred, except for depreciation which is recognized on a straight-line basis.

Cost of construction
Cost of construction includes all direct materials, labor costs and incidental costs related to the construction of housing units.

Expenses
"Selling and administrative expenses" are expenses that are incurred in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, property and equipment and investment properties. Selling and administrative expenses are costs incurred to sell real estate inventories, which include commissions, advertising and promotions, among others and costs of administering the business.

Expenses are recognized in the consolidated statement of comprehensive income as incurred based on the amounts paid or payable.

Borrowing Costs
Interest and other financing costs incurred during the construction period on borrowings used to finance the acquisition and construction of a qualifying asset are capitalized as to the appropriate

asset accounts (included in "Real Estate Inventories" account in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the 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).

Group as lessor

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

Income Taxes

Current tax

Current 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 have been enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Input VAT
The input value-added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT
Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group. If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under the "Other current assets" account.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating losses carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT over RCIT credits and unexpired NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and 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 reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are credited to or charged against income for the period.

Deferred tax relating to items recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Basic and Diluted Earnings Per Share
Basic EPS is computed by dividing net income applicable to common stock by the weighted average

number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount. As of December 31, 2018 and 2017, the Group has no potential diluted common shares.

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 22 to the consolidated financial statements.

Provisions
Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of comprehensive income net of any reimbursement.

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

Events After the Reporting Date
Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group's position at the reporting date (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.

3. **Significant Accounting Judgments and Estimates**

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Real estate revenue recognition (Effective January 1, 2018)

Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation application, buyer's ledger and official receipts evidencing collections from buyer, would contain all criteria to qualify as a contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group for revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price.

Collectability is also assessed by considering factors such as historical experience with customers. Management regularly evaluates historical sales 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 concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability of economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 20% would demonstrate commitment to pay.

The Group has determined that output 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 customers. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by management's project specialists (project development engineers) and managers.

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

Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria - for installment contracts receivables, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financing covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Group, for economic contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected credit loss calculation.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Real estate revenue recognition (Prior to January 1, 2018)
Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and the stage of completion of the project. In

determining whether the sales price are collectible, the Group considers that initial and continuing investment of 20% of the net contract price for real estate development and sale would demonstrate the buyer's commitment to pay. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before allowing revenue recognition.

Distinction between real estate inventories and investment properties
The Group determines whether a property is classified as investment property or real estate inventories as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) 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.
- Real estate inventories comprises property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

The Group's operating lease contracts are accounted for as cancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including the economic consequence to the lessee.

Recognizing deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profit to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

The Group did not recognize deferred tax assets from NOLCO amounting to ₱12.09 million and ₱36.72 million in 2018 and 2017 for the subsidiaries, respectively. The unrecognized deferred tax asset from NOLCO is not expected to be utilized by the subsidiaries as management assessed that there is no available taxable income against which the deferred income tax asset can be utilized (Note 24).

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition and measure of progress for real estate sales (Effective January 1, 2018)
The Group's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of physical completion of real estate project.

Real estate sales amounted to ₱2,428.31 million for the year ended December 31, 2018.

Revenue and cost recognition on real estate (Prior to January 1, 2018)
The Group applies the percentage of completion (POC) method in determining real estate revenue and cost. The POC is based on the physical proportion of work and the cost of sales is determined based on the estimated project development costs applied with the respective project's POC.

For the year ended December 31, 2017 and 2016, real estate sales under the percentage of completion amounted to ₱2,108.49 million and ₱1,889.58 million, respectively, while cost of real estate sales amounted to ₱860.88 million and ₱946.43 million, respectively.

Evaluation of impairment of installment contracts receivables and contract assets
(Effective January 1, 2018)
The Group uses the simplified approach to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by project type and geography).

The vintage analysis (the model) 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 foreign exchange growth rate and bank lending rates. For instance, if forecast economic conditions (e.g., foreign exchange growth rate) are expected to appreciate over the next year, which can lead to decreased number of defaults since the buying power of the public will increase, 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 (e.g., foreign exchange growth rate and bank lending rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's installment contracts receivables and contract assets is disclosed in Note 6.

The carrying values of installment contracts receivables and contract assets amounted to ₱1,248.06 million and ₱1,374.56 million, respectively, as of December 31, 2018 (see Notes 4 and 6).

Evaluation of impairment of contract receivables (Prior to January 1, 2018)
The Group maintains allowance for impairment losses at a level based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (e.g., industry, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. The assessment also considers that title of the property passes on to the buyer only when the receivable is fully collected (Note 6).

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

The Group recognized provision for expected credit loss amounting to ₱1.39 million, ₱2.55 million and ₱2.55 million in 2018, 2017 and 2016, respectively.

Evaluation of net realizable value of inventories
Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the real estate inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged, slow or non-moving or if their selling prices have declined in comparison to the cost (Note 7).

There was no provision for impairment nor reversal of impairment in 2018, 2017 and 2016.

Evaluation of impairment of other non-financial assets (except inventories)
The Group reviews other current assets, investment properties and property and equipment for impairment in value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's net selling price, except for assets where value in use computation is applied.

The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the asset. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs (Notes 7, 10 and 11).

There was no provision for impairment nor reversal of impairment in 2018, 2017 and 2016.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation (Note 26).

4. Revenue from Contracts with Customers

Disaggregated Revenue Information
The Group derives revenue from the transfer of goods and services over time and at a point in time, respectively, in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

	2018	2017	2016
Real estate sales by product			
Lot only	**₱1,959,255,620**	₱1,594,053,265	₱1,401,156,537
Condominium units	**469,052,237**	514,439,122	488,426,097
Total revenue from contracts with customers	**₱2,428,307,857**	₱2,108,492,387	₱1,889,582,634

	2018	2017	2016
Geographical Location			
Luzon	**₱1,640,424,023**	₱1,549,039,295	₱1,415,562,288
Visayas	**395,358,341**	371,777,957	284,292,655
Mindanao	**392,525,493**	187,675,135	189,727,691
	₱2,428,307,857	₱2,108,492,387	₱1,889,582,634

The Group's real estate sales are revenue from contracts with customers which are recognized over time.

As of December 31, 2018, contract balances are as follows:

	Current	Noncurrent	Total
Installment contracts receivables (Note 6)	₱753,282,880	₱494,776,775	₱1,248,059,655
Contract assets	701,474,368	673,086,938	1,374,561,306
Contract liabilities	2,017,661,692	45,409,032	2,063,070,724

Installment contracts receivables from real estate sales are collectible in equal monthly principal installments with various terms up to ten (10) years. Interest rates per annum range from 14% to 16%. Titles to the residential units sold are transferred to customers upon full payment of the contract price.

Contract assets represent the right to consideration for assets already delivered by the Group in excess of the amount recognized as installment contracts receivables. Contract assets is reclassified to installment contracts receivables when monthly amortization of the customer is already due for collection.

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the good and services transferred by the Group based on percentage of completion. The movement in contract liability arise mainly from revenue recognition of completed performance obligations.

Set-out below is the amount of revenue recognized from:

	December 31, 2018
Amounts included in contract liabilities at the beginning of the year	₱153,417,294
Performance obligation satisfied in previous years	572,619,787

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 a real estate unit may cover either (a) a lot; and (b) condominium unit. There is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the reservation application and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include downpayment of 10% to 20% of the contract price spread over a certain period (e.g., one to three months) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from one (1) 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 performance obligation is satisfied upon delivery of the completed real estate unit. The Group provides one year warranty to repair minor defects on the delivered house and lot and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2018 follows:

Within one year	₱294,941,281
More than one year	31,960,161
	₱326,901,442

The remaining performance obligations expected to be recognized within one year and in more than one year relate to continuous development of the Group's real estate projects. The Group's subdivision lots are expected to be completed within 12 months, while the condominium units are expected to be completed within one to two years.

Rental agreements
The Group entered into lease agreements for its mall retail spaces and office spaces with the following identified performance obligations: (a) lease of space (b) provisioning of water and electricity and (c) provision of air conditioning and CUSA services (d) administration fee.

Revenue from lease of space is recognized on a straight line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to settle within 7 to 20 days upon receipt of the bill. In case of delay in payments, a penalty of 3% to 36% per annum is charged for the amount due for the duration of delay. The lease arrangement would typically require a tenant to pay a security deposit equivalent to six (6) months rental to cover any defaults in payments, with the excess returned to the tenant.

Cost to Obtain Contract
As at December 31, 2018, the rollforward of the cost to obtain contract included in the other current assets is as follows:

Balance at beginning of year	₱15,219,338
Additions	222,372,787
Amortization	(207,569,752)
Balance at end of year	₱30,022,373

It is the Group's accounting policy, as set out in Note 2, that if a contract or specific performance obligation has exhibited marginal profitability or other indicators of impairment, judgement is applied to ascertain whether the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.

5. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	**₱1,383,018**	₱1,179,586
Cash in banks	**559,190,448**	625,059,721
Cash equivalents	**503,959,500**	–
	₱1,064,532,966	₱626,239,307

Cash in banks earns interest at the prevailing bank deposit rates.

Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn annual interest ranging from 0.15% to 0.25%.

Interest income earned from cash in banks amounted to ₱11.95 million, ₱1.09 million, and ₱8.66 million in 2018, 2017, and 2016, respectively (Note 16).

No cash and cash equivalents are used to secure the obligations of the Group.

6. Receivables and Contract Assets

This account consists of:

	2018	2017
Trade:		
Subdivision land	**₱949,841,462**	₱1,765,978,552
Condominium units	**298,218,193**	504,100,992
Receivable from related parties (Note 19):		
Trade	**600,926,486**	1,562,390,254
Non-trade	**16,882,795**	16,882,579
Advances to joint venture	**138,649,152**	126,506,537
Advances to officers, employees and agents (Note 19)	**93,900,187**	86,924,210
Commission receivable	**67,574,255**	60,689,078
Accrued interest receivable	**162,107,893**	51,457,011
Receivable from tenants	**50,335,764**	42,044,231

(Forward)

	2018	2017
Dividend receivable (Note 9)	**₱10,862,227**	₱5,662,941
Others	**27,585,636**	16,578,363
	2,416,884,050	4,239,214,748
Less unamortized discount	**32,251,195**	38,167,673
	2,384,632,855	4,201,047,075
Less allowance for expected credit losses	**15,835,963**	14,442,019
	2,368,796,892	4,186,605,056
Less noncurrent installment contracts receivables	**494,776,775**	1,499,767,330
	₱1,874,020,117	₱2,686,837,726

As of December 31, 2018, contract balances are as follows (See Note 2):

	Current	Noncurrent	Total
Installment contracts receivables	₱753,282,880	₱494,776,775	₱1,248,059,655
Contract asset	701,474,368	673,086,938	1,374,561,306
Contract liabilities	2,017,661,692	45,409,032	2,063,070,724

Trade receivables are installment contracts receivables which represent the buyer's outstanding balance arising from real estate sales. These are collectible in equal monthly installments with various terms up to 10 years. These are carried at amortized cost. The corresponding titles to the subdivision land or condominium units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Annual interest rates on installment contracts receivables ranged from 14% to 16%. The total interest income recognized on these interest-bearing installment contracts receivables amounted to ₱236.30 million, ₱113.87 million and ₱89.37 million in 2018, 2017 and 2016, respectively (Note 16).

As of December 31, 2018 and 2017, receivables from sales of subdivision land and condominium units with a nominal amount of ₱1,215.81 million and ₱1,272.94 million, respectively, were recorded at fair value at initial recognition. The fair value of the receivables was obtained by discounting future cash flows using the applicable annual rates of similar types of instruments ranging from 6.25% to 7.74% and 5.19% to 8.08% in 2018 and 2017, respectively. The interest income recognized from these noninterest bearing receivables amounted to ₱52.72 million, ₱45.09 million and ₱41.49 million in 2018, 2017 and 2016, respectively (Note 16). The unamortized discount amounted to ₱32.25 million and ₱38.17 million as of December 31, 2018 and 2017, respectively.

Contract assets represent the right to consideration for assets already delivered by the Group in excess of the amount recognized as installment contracts receivables. Contract assets is reclassified to installment contracts receivables when monthly amortization of customer is due for collection.

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the good and services transferred based on percentage of completion. The movement in contract liability arise mainly from revenue recognition of completed performance obligations.

Movement in the unamortized discount arising from noninterest-bearing installment contracts receivable follow:

	2018	2017
Balance at beginning of year	**₱38,167,673**	₱35,625,351
Additions	**46,805,523**	47,628,649
Accretion from unamortized discount (Note 16)	**(52,722,001)**	(45,086,327)
Balance at end of year	**₱32,251,195**	₱38,167,673

Allowance for expected credit losses pertain to trade receivables. Movement follows:

	2018	2017
Balance at beginning of year	**₱14,442,019**	₱11,891,711
Provisions	**1,393,944**	2,550,308
Balance at end of year	**₱15,835,963**	₱14,442,019

Trade receivables from related parties include advances and uncollected rental income from related parties (Note 19). These are noninterest-bearing due and demandable.

Non-trade receivables from related parties include set-up of receivables due to returned deposit as a result of the rescission of the assignment of land rights (Note 15), sale of lots and assumption of loan of the Ultimate Parent Company (Note 19). These are noninterest-bearing due and demandable.

Advances to joint venture pertain to cash advances to land owners or joint venture partners for the property or land that will be developed. These advances are liquidated by the joint venture partners once the purpose for which the advances were made had been accomplished and accordingly will be offset to the related liability to joint venture partners.

Advances to officers, employees and agents pertain to loans granted to the Group’s employees which are collectible through salary deduction, are noninterest-bearing and have various maturity dates. This also includes advances for liquidation pertaining to cash advances to custodians for site costs and administrative expenses and advances to sales agents for marketing activities which are replenished upon liquidation.

Commission receivable represents the uncollected and unbilled commission revenue for real estate sales services rendered to outside parties. This is equivalent to a certain percentage of the total contract price of properties sold.

Accrued interest receivable pertains to interest on trade receivables already earned but not yet received.

Receivable from tenants represent the outstanding receivable arising from the lease of commercial spaces relating to the Group’s mall operations and are collectible within 30 days from billing date.

Dividend receivable pertains to cash dividend declared from FVOCI and AFS financial assets not yet received.

Other receivables primarily represent the Group’s uncollected development income from the Summerhill Executive Phase 4 project located in Antipolo, Rizal.

7. Real Estate Inventories

A summary of the movement in inventory is set out below:

	2018	2017
Balance at January 1	**₱16,027,804,597**	₱11,952,808,030
Construction and development costs incurred	**2,698,077,364**	1,920,229,882
Land acquired during the year	**319,458,026**	2,832,525,855
Repossessed real estate inventories	**118,521,932**	122,513,639
Capitalized borrowing costs (Notes 14 and 18)	**98,821,836**	60,610,149
Costs of real estate sales	**(959,025,588)**	(860,882,958)
Balance at December 31	**₱18,303,658,167**	₱16,027,804,597

The real estate inventories are carried at lower of cost or net realizable value (NRV). There are no inventories recorded at lower than cost.

Real estate inventories recognized as cost of sales amounted to ₱959.03 million in 2018, ₱860.88 million in 2017 and ₱946.43 million in 2016, and are included as "Costs of real estate sales" in the consolidated statement of comprehensive income. Cost of real estate sales includes acquisition cost of land, amount paid to contractors, development costs, capitalized borrowing costs and other costs attributable to bringing the real estate inventories to its intended condition. The capitalization rate used to determine the borrowing cost eligible for capitalization is 6.47% and 5.67% in 2018 and 2017, respectively.

The Group acquired various land for development amounting to ₱319.46 million and ₱2,832.53 million in 2018 and 2017, respectively. Initial stages of development are underway on these properties with a view to sell as subdivision, condominium or commercial space.

Repossessed real estate inventories arising from cancellation of sales due to buyers' default in payment represent previously sold lot inventories which are recorded back to inventories. These are recorded at fair value less cost to sell and cost to complete at the time of transfer and are held for sale in the ordinary course of business. Gain on repossession of real estate inventories amounted to ₱34.90 million, ₱45.32 million and ₱32.44 million in 2018, 2017 and 2016, respectively (Note 17).

There was no provision for nor reversal of impairment on real estate inventories in 2018 and 2017.

No inventories were pledged as collateral to borrowings of the Group as of December 31, 2018 and 2017.

8. **Other Current Assets**

This account consists of:

	2018	2017 (As restated, see Note 2)
Advances to lot owners	**₱1,998,736,136**	₱719,282,052
Advances to contractors (Note 2)	**1,836,235,152**	1,152,507,474
Prepaid commission (Notes 2 and 4)	**715,471,451**	342,357,464
Input VAT - net	**394,170,768**	308,432,119
Advances to agents and brokers	**54,969,920**	54,558,828
Prepaid taxes	**19,276,514**	57,423,928
Others	**185,199,260**	119,273,619
	₱5,204,059,201	₱2,753,835,484

Advances to lot owners consist of advance payments to land owners which will be applied against the selling price of the real properties that will be acquired. The application is expected to be within 12 months after the reporting date.

Advances to contractors represent payments made for the development and construction of real estate inventories. The advances will be recouped against contractors' billings.

Advances to contractors previously presented under current assets, representing payments made for the development and construction of investment properties which will be settled through recoupment against contractors' billings was reclassified to noncurrent asset. The amount reclassified to noncurrent asset amounted to ₱154.67 million and ₱86.09 million as of December 31, 2018 and 2017, respectively. Before the adoption of PIC Q&A 2018-15, the classification of the Group is based on timing of application of these advances against billings and timing of delivery of goods and services. The interpretation aims to classify the prepayment based on the actual usage/realization of such advances based on the determined usage/realization of the asset to which it is intended for.

Prepaid commission pertains to payments to agents for sales commission on inventories that are not yet recognized as sales during the year. 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. As of December 31, 2018, commissions paid to agents are presented under 'Other current asset'.

Input VAT represents VAT on purchase of goods and services. This is presented net of output VAT. The remaining balance is recoverable in future periods.

Prepaid taxes pertain to creditable withholding taxes to be applied against future income tax payable and prepayments for registration of acquired lots.

Advances to agents and brokers pertain to unliquidated advances to operate branch offices in the country and abroad. These advances are liquidated.

Others consist mainly of prepayments related to mall operations and security deposits for short term leases, among others.

9. Financial Assets at Fair Value through OCI/Available-for-Sale Financial Assets

Financial assets at FVOCI/AFS consists of investments in (Note 2):

	December 31, 2018	December 31, 2017
Investment at cost	**₱416,268,406**	₱416,268,406
Net unrealized gain	**568,768,194**	461,764,331
At end of year	**₱985,036,600**	₱878,032,737

Movement in the investment at cost follows:

	December 31, 2018	December 31, 2017
Balance at beginning of year	**₱416,268,406**	₱408,374,968
Additions	**–**	7,893,438
At end of year	**₱416,268,406**	₱416,268,406

Movement in unrealized gain reflected in the other comprehensive income follows:

	December 31, 2018	December 31, 2017
Balance at beginning of year	**₱461,764,331**	₱435,787,892
Effect of adoption of new standards (Note 2)	**69,996,532**	–
Balance at beginning of year, as restated	**531,760,863**	435,787,892
Fair value change during the year	**37,007,331**	25,976,439
Balance at end of year	**₱568,768,194**	₱461,764,331

The following table provides the fair value hierarchy of the Group's financial assets at fair value through OCI/AFS financial assets which are measured at fair value as of December 31, 2018 and 2017:

December 31, 2018

			Fair value measurement using		
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Shares of stock:					
Quoted					
Gaming	December 31, 2018	₱825,504,831	₱825,504,831	₱–	₱–
Unquoted					
Real estate	December 31, 2018	159,531,769	–	–	159,531,769
		₱985,036,600	₱825,504,831	₱–	₱159,531,769

December 31, 2017

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:					
Quoted					
Gaming	December 31, 2017	₱785,139,299	₱785,139,299	₱–	₱–
Unquoted					
Real estate	December 31, 2017	–	–	–	–
		₱785,139,299	₱785,139,299	₱–	₱–

In 2017, no impairment was recognized for AFS financial assets and no gains or losses were transferred to profit or loss in 2018 and 2017.

Dividends earned from financial assets at fair value through OCI / quoted AFS financial assets amounted to ₱7.16 million in 2018, 2017 and 2016.

10. **Investment Properties**

The rollforward analyses of this account follow:

	2018					
	Land	**Land Improvements**	**Buildings and Improvements**	**Machinery and Equipment**	**Construction in Progress**	**Total**
Cost						
Balances at January 1	**₱1,766,045,000**	**₱44,259,000**	**₱3,850,002,704**	**₱412,409,000**	**₱307,298,427**	**₱6,380,014,131**
Additions	–	–	**10,640,514**	–	**96,858,705**	**107,499,219**
Balances at December 31	**1,766,045,000**	**44,259,000**	**3,860,643,218**	**412,409,000**	**404,157,132**	**6,487,513,350**
Accumulated Depreciation						
Balances at January 1	–	**11,064,752**	**798,924,553**	**412,409,000**	–	**1,222,398,305**
Depreciation (Note 17)	–	**1,106,475**	**109,525,008**	–	–	**110,631,483**
Balances at December 31	–	**12,171,227**	**908,449,561**	**412,409,000**	–	**1,333,029,788**
Net Book Value	**₱1,766,045,000**	**₱32,087,773**	**₱2,952,193,657**	**₱–**	**₱404,157,132**	**₱5,154,483,562**

	2017					
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
Cost						
Balances at January 1	₱1,766,045,000	₱44,259,000	₱3,845,581,924	₱412,409,000	₱156,604,014	₱6,224,898,938
Additions	–	–	4,420,780	–	150,694,413	155,115,193
Balances at December 31	1,766,045,000	44,259,000	3,850,002,704	412,409,000	307,298,427	6,380,014,131
Accumulated Depreciation						
Balances at January 1	–	9,958,277	690,924,796	371,168,100	–	1,072,051,173
Depreciation (Note 17)	–	1,106,475	107,999,757	41,240,900	–	150,347,132
Balances at December 31	–	11,064,752	798,924,553	412,409,000	–	1,222,398,305
Net Book Value	₱1,766,045,000	₱33,194,248	₱3,051,078,151	₱–	₱307,298,427	₱5,157,615,826

The construction in progress represents capitalized costs arising from the construction of the Group's business center that is located in Cainta, Rizal. The expected completion of the business center is June 2019.

Depreciation expense recognized as costs of rental income amounted to ₱110.63 million, ₱150.35 million and ₱150.16 million in 2018, 2017 and 2016, respectively (Note 17).

The aggregate fair value of the Group's investment properties amounted to ₱6,989.00 million and ₱5,550.60 million as of December 31, 2018 and 2017, respectively.

The latest valuation was obtained in April 2018. The fair values were determined by independent professionally qualified appraisers. The fair value of the investment properties disclosed in the financial statements is categorized within Level 3 of the fair value hierarchy.

The fair value of investment properties was arrived at using Market Data Approach. In this approach, the value of the investment properties is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishing of comparable property by reducing reasonable comparative sales and listings within the area to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Borrowing cost capitalized to investment properties in 2018, 2017 and 2016 amounted to ₱2.86 million, ₱3.81 million and ₱14.48 million, respectively (Note 18). Capitalization rate used range from 5.67% to 6.47% in 2018, 2017 and 2016.

Rental income from investment properties amounted to ₱858.76 million, ₱1,026.10 million and ₱852.49 million in 2018, 2017 and 2016, respectively (Note 23). Cost of rental income from investment properties amounted to ₱553.97 million, ₱583.99 million, and ₱581.21 million in 2018, 2017 and 2016, respectively.

The cost of fully depreciated investment properties that are still in use amounted to ₱412.49 million as of December 31, 2018 and 2017, respectively.

There are no investment properties as of December 31, 2018 and 2017 that are pledged as security for liabilities of the Group.

11. **Property and Equipment**

The rollforward analysis of this account follow:

	2018				
	Office Tools and Equipment	**Transportation Equipment**	**Furniture and Fixtures**	**Software**	**Total**
Cost					
Balances at January 1	**₱21,739,499**	**₱81,632,410**	**₱11,714,186**	**₱38,333,814**	**₱153,419,909**
Additions	**2,283,505**	**4,052,518**	**442,725**	**–**	**6,778,748**
Disposals	**–**	**(1,102,271)**	**–**	**–**	**(1,102,271)**
Balances at December 31	**24,023,004**	**84,582,657**	**12,156,911**	**38,333,814**	**159,096,386**
Accumulated Depreciation and Amortization					
Balances at January 1	**11,073,685**	**44,074,661**	**6,401,909**	**36,123,636**	**97,673,891**
Depreciation and amortization	**2,426,730**	**12,034,513**	**910,460**	**1,993,315**	**17,365,018**
Disposals	**–**	**(477,651)**	**–**	**–**	**(477,651)**
Balances at December 31	**13,500,415**	**55,631,523**	**7,312,369**	**38,116,951**	**114,561,258**
Net Book Value	**₱10,522,589**	**₱28,951,134**	**₱4,844,542**	**₱216,863**	**₱44,535,128**

	2017				
	Office Tools and Equipment	Transportation Equipment	Furniture and Fixtures	Software	Total
Cost					
Balances at January 1	₱18,864,664	₱75,766,679	₱7,616,270	₱38,333,814	₱140,581,427
Additions	2,874,835	5,865,731	4,347,916	–	13,088,482
Reclassification	–	–	(250,000)	–	(250,000)
Balances at December 31	21,739,499	81,632,410	11,714,186	38,333,814	153,419,909
Accumulated Depreciation and Amortization					
Balances at January 1	7,976,503	31,515,607	4,186,087	33,570,321	77,248,518
Depreciation and amortization	3,097,182	12,559,054	2,215,822	2,553,315	20,425,373
Balances at December 31	11,073,685	44,074,661	6,401,909	36,123,636	97,673,891
Net Book Value	₱10,665,814	₱37,557,749	₱5,312,277	₱2,210,178	₱55,746,018

Depreciation expense pertaining to mall operations recognized as costs of rental income amounted to ₱0.41 million, ₱0.60 million, nil in 2018, 2017 and 2016, respectively (Note 17).

The cost of fully depreciated property and equipment that are still in use amounted to ₱56.48 million and ₱43.82 million as of December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, there are no property and equipment pledged to secure obligations of the Group.

12. Accounts and Other Payables

This account consists of:

	2018	2017
Contractors payable	**₱1,661,633,075**	₱1,221,862,467
Accounts payable	**1,224,671,818**	1,015,903,526
Joint venture payable	**354,452,771**	236,456,979
Unearned processing income (Note 2)	**162,483,512**	–
Interest payable (Note 14)	**147,228,975**	58,631,306
Retentions payable	**110,346,999**	101,318,750
Withholding tax payable	**77,074,921**	69,330,091
Taxes and licenses payable	**64,585,747**	61,593,580
Payable to related parties (Note 19)	**45,811,724**	46,181,514
Advances from shareholders (Note 19)	**16,346,102**	16,346,102
Accrued payables	**15,221,243**	27,237,491
Others	**110,969,591**	137,339,044
	₱3,990,826,478	₱2,992,200,850

Contractors payable arises from progress billings received from contractors' unbilled completed work on the development of projects. These are non-interest bearing and are normally settled on 30 to 60-day terms.

The Group entered into offsetting agreements with its suppliers whereby the Group sells subdivision land and condominium units in exchange for the delivery of the equivalent value of construction materials or services in accordance with specifications stated in the purchase orders and as stated in the bid proposal. The fair value of materials and services received to date is recorded under "Accounts Payable" until the criteria for revenue recognition are met. These liabilities under offsetting arrangements amounted to ₱1,126.69 million and ₱893.27 million as of December 31, 2018 and 2017, respectively.

Accounts payable also include amounts due to suppliers which are noninterest-bearing and are normally settled on 15 to 60-day terms.

Joint venture payable pertains to the collection of the share of the joint venture partners collected by the Group and is normally remitted within 90 days from the date of collection.

Unearned processing income refers to advanced collections from buyers for the processing of transfer of title that is to be performed upon full payment of the contract price.

Retentions payable represents amounts withheld from payments to contractors as a guaranty for any claims against them. These are non-interest bearing and will be remitted to contractors at the end of the contract work, generally within one year.

Withholding tax payable consists of taxes withheld for remittance to the government.

Taxes and licenses payable are amounts due to local government units for the processing of registration fees and licenses related to the Group's land acquisitions.

Interest payable pertains to interest incurred on bank loans (Note 14). These are settled on a quarterly basis.

Accrued payables mostly include utilities pertaining to mall operations and unpaid salaries by the Group and are normally settled on 15 to 60-day terms.

Advances from shareholders are advances for the working capital on the Group's administrative expenses related to selling properties.

Other payables primarily consist of professional fees, documentary stamp tax, unearned rent, security deposits from tenants and mandatory employer's contributions which are noninterest-bearing and are normally settled within one year.

13. Customers' Deposits

This account consists of customers' reservation fees, downpayments and excess of collections over the installment contracts receivables. As of December 31, 2017, this amounted to ₱1,223.41 million.

The Group requires buyers of the residential condominium units and subdivision lots to pay a minimum percentage of the total selling price before revenue recognition. These reservation fees and downpayments will be applied against the installment contracts receivables when revenue recognition is met.

The excess of collections over the recognized revenue is applied against the installment contracts receivables in the succeeding years.

As of December 31, 2018, the customers' deposit account have been reported as contract liabilities in the consolidated statements of financial position under the modified retrospective approach (see Note 2). This amount to ₱2,063.07 million.

14. Short-term and Long-term Debt

Short-term debt

Below are the details of the short-term debt:

	2018	2017
Loans under revolving credit facility	**₱748,000,000**	₱2,575,000,000
Single payment short-term loan	**2,500,000,000**	2,700,000,000
Loans under notes facility agreement	**360,000,000**	200,000,000
	₱3,608,000,000	₱5,475,000,000

Loans under revolving credit facility agreement follow:

	2018	2017
Beginning balance	**₱2,575,000,000**	₱1,300,000,000
Availments	**1,823,000,000**	4,694,000,000
Payments	**(3,650,000,000)**	(3,419,000,000)
Ending balance	**₱748,000,000**	₱2,575,000,000

In 2018, the Group obtained various unsecured short-term loans amounting to ₱1,423.00 million from various financial institutions and qualified institutional buyers of securities arranged by MIB. These have maturity periods ranging from 3 to 6 months, with annual interest rates ranging from 3.75% to 6.00%. Of the total ₱1,423.00 million loans availed, ₱986.00 million were settled in 2018. The remaining balance on loans amounted to ₱437.00 million as of December 31, 2018.

In August 2018, a credit facility amounting ₱250.00 million was granted by Bank of Commerce, from which ₱150.00 million was drawn by the Group. This bears annual interest of 5.48%. This was settled in November 2018.

In December 2018, the credit facility amounting ₱250.00 million which bears interest rate 6.00% of was fully drawn during the same year. The loan remained outstanding as of December 31, 2018.

In February 2017, the Group opened a one (1) year, ₱250.00 million credit line with interest rate of 4.28% per annum with Maybank Philippines, Inc. under terms and conditions that are in the best interest of the Corporation. This amount was subsequently drawn by the Group for every 3-month period. The Group availed a total of ₱500.00 million from this credit line which matured and was paid in 2017.

On December 2017, two (2) unsecured 5-month loans were borrowed from Maybank Philippines, Inc. amounting ₱150.00 million and ₱100.00 million with interest rates per annum of 4.28% and 4.20%, respectively. Both of these loans were paid in 2018.

In 2017, various unsecured short-term loans amounting to ₱2,194.00 million were obtained substantially from various financial institutions and qualified institutional buyers of securities arranged by Multinational Investment Bancorporation (MIB). These have maturity periods ranging from 3 to 6 months, with annual interest rates ranging from 3.75% to 6.75%. Total outstanding loans amounted to ₱61.00 million and ₱1,325.00 million as of December 31, 2018 and 2017, respectively.

In August and November, 2017, three (3) unsecured 1-year term loans were obtained amounting ₱300.00 million, ₱500.00 million and ₱200.00 million with interest rates per annum of 3.75%, 4.47% and 3.75%, respectively. These loans were paid in full in 2018.

In January and May 2017, unsecured 3-month loans were borrowed from China Banking Corporation amounting ₱150.00 million and ₱600.00 million, respectively. These loans bear interest rates per annum of 5.13% and 3.75%, respectively. The loans matured and were paid in full in 2017.

In 2016, China Banking Corporation granted the Group additional ₱500.00 million unsecured revolving credit facility, ₱300.00 million of which was drawn and payable upon maturity on May 29, 2017. Interest is at 4.625% per annum payable quarterly in arrears. This was paid in full in 2017.

On December 21, 2015, the Group borrowed unsecured ₱1,000.00 million 2-year term loan agreement with China Banking Corporation (CBC) payable in lump sum on December 21, 2017 through a single payment at a fixed rate of 5.8713% per annum. Interest on the loan shall be calculated based on a 30/360 day count basis and shall be paid quarterly in arrears every March 22, June 22, September 22 and December 22 of each year on the unpaid principal amount of the loan, starting on March 22, 2016. This was paid in full in 2017. Unamortized debt issuance cost pertaining to this specific loan amounting to ₱2.44 million as at December 31, 2016 was recognized as expense in the 2017 consolidated statement of comprehensive income.

Single payment short-term loan

The rollforward analyses of single payment short-term loan follow:

	2018	2017
Beginning balance	**₱2,700,000,000**	₱700,000,000
Availments	**1,500,000,000**	2,700,000,000
Payments	**(1,700,000,000)**	(700,000,000)
Ending balance	**₱2,500,000,000**	₱2,700,000,000

On October 25, 2018, the Group borrowed a six-month unsecured loan amounting ₱1,500.00 million with annual interest rate of 6.33%. The loan is outstanding as of December 31, 2018.

The Group has executed a clean loan from Amalgamated Investment Bancorporation (AIB) which was extended for another one (1) year on June 19, 2017. The loan amounted to ₱200.00 million with 5% interest per annum and was paid in full upon maturity on July 31, 2018.

On August 3 and August 14, 2017, the Group obtained a one-year unsecured loan with annual interest rates of 4.25% totaling ₱2,000.00 million. The remaining balance on this loan amounted to ₱1,000.00 million and ₱2,000.00 million as of December 31, 2018 and 2017, respectively.

On September 9, 2016, the Group obtained a clean loan credit line from Rizal Commercial Banking Corporation (RCBC) amounting ₱500.00 million for working capital purposes with the loan principal and 4.00% interest per annum payable upon maturity on September 4, 2017. On September 4, 2017, the Group extended the loan for another 1-year payable on August 30, 2018 at 4.25% interest per annum. This was paid in full upon maturity on August 30, 2018.

Movement in the account is as follows:

	2018	2017
Beginning balance	**₱200,000,000**	₱398,000,000
Availments	**958,000,000**	–
Payments	**(798,000,000)**	(198,000,000)
Ending balance	**₱360,000,000**	₱200,000,000

In December 2018, the Group availed 3-month term loans from Banco De Oro (BDO) amounting to ₱260.00 million, with interest rates ranging from 4.63% to 6.50% per annum. The loans remained outstanding as of December 31, 2018.

In August and September 2018, the Group availed a 3-month term loans from BDO amounting ₱100.00 million and ₱200.00 million, respectively. The remaining loan payable as of December 31, 2018 amounted to ₱100.00 million.

In February 2018, the Group availed from BDO amounting ₱398.00 million with annual interest rates ranging from 4.63% to 4.88%. The loans were paid in full in 2018.

On September 30, 2016, the Group entered into another Local Currency Notes Facility with Banco De Oro, whereby the Group was granted an unsecured credit line facility amounting to ₱400.00 million. The Group availed ₱198.00 million and ₱200.00 million of the credit line on July 29, 2016 and November 10, 2016, respectively. The interest is payable on a monthly basis at 4.66% per annum and 4.25% per annum for the ₱198.00 million and ₱200.00 million loans, respectively. The loan principals were paid on July 29, 2017 and September 28, 2017, respectively.

On August 9, 2017, the ₱198.00 million principal and accrued interest thereon was fully paid. The ₱200.00 million loan payable was settled in 2018.

Loans under notes facility agreement

Long-term debt

Below are the details of the long-term debt:

	2018	2017
Bonds		
Series B Bonds	**₱2,000,000,000**	₱2,000,000,000
Loans under term facility agreement	**8,100,000,000**	3,100,000,000
	10,100,000,000	5,100,000,000
Less unamortized debt issuance cost	**(101,224,760)**	(60,336,946)
	₱9,998,775,240	₱5,039,663,054

The rollforward analyses of this account follow:

	2018	2017
Beginning balance	**₱5,100,000,000**	₱4,000,000,000
Availments	**5,000,000,000**	3,100,000,000
Payments	–	(2,000,000,000)
Ending balance	**₱10,100,000,000**	₱5,100,000,000

In 2018, one (1) 7-year Corporate Notes Facility was drawn by the Parent Company from China Banking Corporation, Development Bank of the Philippines, China Bank Savings, and Maybank Philippines, Inc. totaling ₱2,000.00 million, ₱2,000.00 million, ₱500.00 million and ₱500.00 million, respectively. The 7-year Corporate Notes Facility bears annual interest rates of 6.85% for the 1st to 2nd year and 7.80% for the 3rd to 7th year.

On October 27, 2017, the remaining ₱1,000.00 million of the ten (10) year Corporate Note Facility was drawn by the Group. The ten (10) year Corporate Note Facilities bear annual interest rates at 6.85% for the 1st to 5th year and 7.14% for the 6th to 10th year.

As of December 31, 2018, the Group's bond Series B remained outstanding.

On June 22, 2017, the Group exercise its Early Redemption Option for the Series A unsecured Fixed-Rate Peso bonds in the amount of ₱2,000.00 million at the early redemption price of One Hundred and One Percent (101%) of the principal amount, plus all accrued interest on the bonds at the Early Redemption Option Date. This was paid using the proceeds from the ₱3,100.00 million, ten (10) year Corporate Note Facility with financial institutions, with a maximum of nineteen (19) investors, ₱2,100.00 million of which was availed by the Group during the first half in 2017. This note is intended for the strategic land banking, capital expenditures for ongoing and new projects, and general corporate purposes.

On December 22, 2015, the Group issued a total of ₱4,000.00 million Unsecured Fixed-Rated Peso bonds, broken down into ₱2,000.00 million Series A Bonds due in 2018 at a fixed rate equivalent to 6.73% per annum and a ₱2,000.00 million Series B Bonds due in 2021 at a fixed rate equivalent to 6.72% per annum. The Bonds have been rated by the Credit Rating and Investors Services Philippines Inc. on October 16, 2015. The bonds shall constitute the direct, unconditional, and unsecured obligations of the Issuer and shall at all times rank pari passu and ratably without preference among themselves and among any present and future unsecured obligations of the Issuer, except for any statutory preference or priority established under Philippine law.

The proceeds of the bonds were used by the Group to fully refinance existing secured loans, for capital expenditure requirements, and/or general corporate purposes.

The Bonds is repaid at par (or 100% of face value), plus any outstanding interest, on the relevant maturity date of each series or on December 22, 2018 for the Series A Bonds and on March 22, 2021 for the Series B Bonds, unless the Group exercises its early redemption option for the Series A or Series B Bonds.

Interest on the Bonds is payable quarterly in arrears every March 22, June 22, September 22 and December 22 of each year, starting on March 22, 2016.

The Group is required to maintain a maximum of debt-to-equity ratio of 1.50:1:00, a minimum current ratio of 1.00:1.00 and a minimum debt service coverage ratio of 1.25. The Group has complied with the debt covenants.

Movement in unamortized debt issuance cost for both short-term and long-term debt follows:

	2018	2017
Beginning balance	**₱60,336,946**	₱67,522,131
Additions	**69,026,200**	34,875,000
Derecognition	**–**	(23,086,804)
Amortization	**(28,138,386)**	(18,973,381)
Ending balance	**₱101,224,760**	₱60,336,946

Interest expense on short-term and long-term debts amounted to ₱800.88 million, ₱505.77 million and ₱380.64 million in 2018, 2017 and 2016, respectively (Note 18). Of the total interest expense, amortization of transaction cost on short-term and long-term loans amounted to ₱28.08 million, ₱18.97 million, ₱22.72 million in 2018, 2017 and 2016, respectively, and included under "Interest expense" in the consolidated statement of comprehensive income (Note 18).

Borrowing costs capitalized to real estate inventories and investment properties in 2018, 2017 and 2016 amounted to ₱101.68 million, ₱64.42 million and ₱91.92 million, respectively (Notes 7, 10 and 18).

15. **Equity**

The capital stock consists of:

	2018		2017	
	Shares	**Amount**	Shares	Amount
Par value per share - ₱1.00				
Authorized common shares	**16,000,000,000**	**₱16,000,000,000**	16,000,000,000	₱16,000,000,000
Issued shares	**10,796,450,000**	**10,796,450,000**	10,796,450,000	10,796,450,000
Treasury shares (additional 750 million shares at ₱1.20 per share totalling ₱900 million in 2018)	**2,600,000,000**	**1,640,000,000**	1,850,000,000	740,000,000
Outstanding shares	**8,196,450,000**	**8,196,450,000**	8,946,450,000	8,946,450,000

Registration Track Record:

a) The Parent Company was incorporated as Zipporah Mining and Industrial Corporation ('Zipporah Mining') on December 6, 1966 as a mining firm which was amended to a real estate developer.

b) On September 14, 1987, the Parent Company launched its Initial Public Offering where a total of 20,000.00 million common shares were offered at an offering price of ₱1.00 per share.

c) Subject to a restructuring program, the BOD of the Parent Company approved on November 22, 1995 the offering of up to 1,000.00 million shares of stock out of the increase in the authorized capital stock from ₱50.00 million to ₱2,000.00 million at a par value of ₱1.00 to a group of investors led by the Ultimate Parent Company. This was subsequently approved and ratified by the stockholders in a Special Stockholders' Meeting on December 18, 1995.

d) On December 18, 1995, the stockholders of the Parent Company approved a number of changes in the corporate structure as part of its diversification scheme. These were:

1. The change of its name to Zipporah Realty Holdings, Inc.;
2. The increase in the number of directors from nine to eleven;
3. The waiver of the pre-emptive rights over the future issuances of shares;
4. The change in the primary and secondary purposes;
5. The change in the par value of its shares from ₱0.01 to ₱1.00; and
6. The increase in its authorized capital stock to ₱2,000.00 million.

The first four changes were approved by the SEC on August 14, 1996 while the last two corporate acts were approved on January 22, 1997.

e) On June 15, 2007, the BOD approved the following resolutions and was ratified by the stockholders on July 16, 2007:

1. Change in Corporate name to Sta. Lucia Land, Inc.;
2. Increase in authorized capital stock of the Parent Company from ₱2,000.00 million divided into 2,000.00 million shares to ₱16,000.00 million divided into 16,000.00 million shares or an increase of ₱14,000.00 million with a par value of ₱1.00 per share;
3. Subscription of the Ultimate Parent Company of up to 10,000.00 million shares out of the increase in the Parent Company's authorized capital stock; and
4. Subscription of the Ultimate Parent Company to such shares shall be at par value, and the consideration for which shall be the assignment and transfer by the Ultimate Parent Company to the Parent Company of assets acceptable to the Parent Company at a reasonable discount on the fair market value of such assets. The fair value market value was determined by independent professionally qualified appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

The above resolutions were ratified by the Parent Company's shareholders on July 16, 2007.

f) On December 8, 2007, the Parent Company and the Ultimate Parent Company executed various deeds of assignment wherein the Ultimate Parent Company assigned all its rights, title and interest to certain properties consisting of investment properties (Sta. Lucia East Grand Mall) amounting to ₱4,710.00 million and certain parcels of land amounting to ₱6,018.50 million and assumption of mortgage in the investment properties of ₱723.60 million. The investments of the Ultimate Parent Company through the assignment of various properties, net of mortgage assumed, were issued with shares of stock totaling ₱10,000.00 million.

The Group has 264 existing certified shareholders as at December 31, 2018 and 2017.

<u>Treasury Shares</u>
As of December 31, 2010, the Parent Company had intercompany receivables from the Ultimate Parent Company amounting ₱1,029.88 million. The receivables ballooned to ₱1,358.69 million as of December 31, 2011. As full settlement of the receivables amounting to ₱1,358.69 million, the Ultimate Parent Company assigned shares of stocks of "Saddles and Clubs Leisure Park" to the Parent Company.

Also, the Parent Company accumulated ₱442.42 million receivables from Sta. Lucia East Commercial Corporation (SLECC) arising from uncollected rental income.

As of March 31, 2014, the Parent Company recognized assets consisting of the "Saddles and Clubs Leisure Park" amounting to ₱1,358.69 million and receivables from SLECC amounting to ₱442.42 million. In aggregate, the assets amounted to ₱1,801.11 million.

In July 2014, the Parent Company agreed to enter into an agreement with the Ultimate Parent Company to convert portion of the Ultimate Parent Company's investments into treasury shares as settlement of the assets recognized by the Parent Company aggregating ₱1,801.11 million (Note 19). Accordingly, on July 8, 2014, the Ultimate Parent Company and the Parent Company executed a deed of assignment.

Under the deed of assignment, the parties agreed to rescind its previous arrangement with respect to the assignment of the "Saddles and Clubs Leisure Park" project which resulted in the reversion of the assignment and the reinstatement of the receivables from the Ultimate Parent Company amounting ₱1,358.69 million. The parties also agreed to assign the SLECC receivables of ₱442.42 million. As a result, the total amount of receivables from the Ultimate Parent Company amounted to ₱1,801.11 million.

In order to fully settle the receivables from the Ultimate Parent Company in the amount ₱1,801.11 million as of March 31, 2014, the Ultimate Parent Company agreed to assign, convey and transfer in favor of the Parent Company 3,000.00 million shares out of the Ultimate Parent Company's total shareholdings in the Parent Company. Upon exercise, the shares will become treasury shares.

The parties agreed to execute the assignment of the 3,000.00 million of the Parent Company shares in 2 tranches:

- Tranche 1 - 2,250.00 million shares, which covered ₱900.00 million of the advances, were transferred within 30 days from the signing of the Deed of Assignment. The Parent Company successfully executed Tranche 1 in September 2014.

- Tranche 2 - 750.00 million shares, which shall cover the remaining ₱901.11 million of the advances, to be transferred within 1 year from the date of the Deed of Assignment, or when the Parent Company accumulates more than ₱901.11 million in unrestricted retained earnings, whichever is earlier.

On December 22, 2015, the Group's 400.00 million treasury shares costing ₱0.40 per share were reissued at ₱0.75 per share, thus increasing the outstanding shares to 8,946.45 million.

On December 27, 2018, pursuant to the Deed of Assignment, the Ultimate Parent Company and the Parent Company executed Tranche 2 in the Deed of Assignment. The Parent Company acquired 750.00 million treasury shares at a price of ₱1.20 per share to settle the ₱900.00 million advances under Tranche 2.

<u>Retained Earnings</u>
In accordance with SRC Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Group's retained earnings available for dividend declaration as of December 31, 2018, amounted to ₱2,553.38 million.

The retained earnings is restricted to dividends to the extent of shares held in treasury amounting ₱1,640.00 million.

The subsidiaries are in a capital deficit position as of 2018 and 2017, hence there are no accumulated earnings available for dividend declaration and distribution.

Capital Management
The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its credit rating and allows it the financial flexibility, while providing sufficient cushion to absorb cyclical industry risks. The Group manages its capital structure and make adjustments to it, in light of changes in economic decisions.

The Group's sources of capital include all the components of the equity totaling ₱14,454.31 million and ₱14,309.95 million as of December 31, 2018 and 2017, respectively.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. The Group includes within debt, interest-bearing loans and external borrowings whether in the form of short term notes or long-term notes and bonds.

The following table shows how the Group computes for its net debt-to-equity ratios as of December 31, 2018 and 2017:

	2018	2017
Debt	**₱13,606,775,240**	₱10,514,663,054
Less: Cash and Cash equivalent (Note 5)	**1,064,532,966**	626,239,307
Net debt	**12,542,242,274**	9,888,423,747
Equity	**14,516,196,683**	14,309,954,800
Net debt-to-equity ratio	**86%**	69%

Financial risk assessment
The Group's financial condition and operating results would not be materially affected by the current changes in credit, interest and liquidity conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

16. **Interest Income**

This account consists of:

	2018	2017	2016
Interest income from:			
Trade receivables (Note 6)	**₱236,303,281**	₱113,874,018	₱89,365,678
Accretion from unamortized discount (Note 6)	**52,722,001**	45,086,327	41,492,492
Cash in banks and cash equivalents (Note 5)	**11,948,015**	1,087,477	8,655,542
	₱300,973,297	₱160,047,822	₱139,513,712

17. Cost of Rental Income and Other Revenue

Cost of rental income consists of:

	2018	2017	2016
Utilities	**₱369,485,451**	₱360,788,328	₱361,650,518
Depreciation (Notes 10 and 11)	**111,045,532**	150,947,225	150,157,640
Management fee (Note 19)	**55,982,602**	55,856,832	55,239,103
Carpark maintenance	**9,515,899**	9,906,847	11,617,698
Manpower	**5,906,705**	5,118,191	816,024
Others	**2,037,941**	1,375,970	1,731,266
	₱553,974,130	₱583,993,393	₱581,212,249

Other revenue consists of:

	2018	2017	2016
Processing and registration fee (Note 12)	**₱58,193,015**	₱102,728,411	₱76,812,832
Surcharges and penalties	**75,633,291**	63,301,996	60,805,298
Gain on repossession of inventories (Note 7)	**34,897,007**	45,317,126	32,440,532
Profit share in hotel operations	**47,175,695**	19,928,680	6,945,437
Gain from forfeited deposits	**25,909,716**	45,349,491	96,348,398
Others	**13,927,897**	–	–
	₱255,736,621	₱276,625,704	₱273,352,497

Processing and registration fee consists of ‘closing fees’ collected from customers prior to the transfer of the title. These closing fees are usually 5% to 10% of the contract price.

Others mainly consists of income from nonrefundable collection from delinquent buyers and foreign exchange gains and losses.

18. Interest Expense

Interest expense consists of:

	2018	2017	2016
Interest expense on bonds (Note 14)	**₱141,995,997**	₱200,307,682	₱353,701,673
Interest expense on loans (Note 14)	**658,880,663**	305,458,139	26,939,446
Loss on pretermination of loans/bonds	**–**	43,086,804	–
Other financing charges	**7,512,222**	3,209,297	1,647,114
	808,388,882	552,061,922	382,288,233
Less capitalized borrowing costs (Notes 7, 10 and 14)	**(101,681,382)**	(64,422,990)	(91,923,230)
	₱706,707,500	₱487,638,932	₱290,365,003

19. Related Party Transactions

The related amounts and outstanding balances from related party transactions in 2018 and 2017 follow:

	2018			
	Volume	**Receivable**	**Terms**	**Conditions**
Trade receivables (Note 6)				
Ultimate Parent Company (SLRDI)				
Sharing of expenses, collection from buyers collected by SLRDI, unremitted share of SLRDI, marketing fee	**₱60,326,425**	**₱550,397,266**	Due and demandable; noninterest-bearing	Unsecured; no impairment (Note 14)
Affiliate (SLECC)				
Rental and management fee (Note 15) (d)	**390,588,883**	**16,183,229**	Due and demandable; noninterest-bearing	Secured; no impairment
Affiliate (Mall Tenants)				
Rental income (d)	**65,418,367**	**34,345,991**	Due and demandable; noninterest-bearing	Unsecured; no impairment
		600,926,486		
Non-trade receivables (Note 6)				
Affiliate (Marketing Arm)				
Advances (e)	**216**	**16,882,795**	Due and demandable; noninterest-bearing	Unsecured; no impairment
		16,882,795		
Key officers and directors (Note 6) (f)	**10,964,537**	**41,927,584**	Due and demandable; noninterest-bearing	Unsecured; no impairment
		₱659,736,865		
Trade payables (Note 12)				
Ultimate Parent Company (SLRDI)				
Advances	–	**45,811,724**	Payable on demand; noninterest bearing	Unsecured
Advances to shareholders				
Advances (g)	–	**16,346,102**	Payable on demand; noninterest-bearing	Unsecured
		₱62,157,826		

	2017			
	Volume	Receivable	Terms	Conditions
Trade receivables (Note 6)				
Ultimate Parent Company (SLRDI)				
Sharing of expenses, collection from buyers collected by SLRDI, unremitted share of SLRDI, marketing fee and advances arising from "Saddles and Clubs Leisure Park" project (Note 15) (c)	₱17,132,573	₱751,416,965	Due and demandable; noninterest-bearing	Unsecured; no impairment (Note 14)
Affiliate (SLRDI)				
Rental and management fee (Note 15) (d)	55,856,832	404,517,214	Due and demandable; noninterest-bearing	Secured; no impairment
Affiliate (Mall Tenants- SLRDI)				
Rental income (d)	182,235,071	406,456,075	Due and demandable; noninterest-bearing	Unsecured; no impairment
		1,562,390,254		
Non-trade receivables (Note 6)				
Affiliate (Marketing Arm)				
Advances (f)	₱572,865	₱16,882,579	Due and demandable; noninterest-bearing	Unsecured; no impairment
		16,882,579		
Key officers and directors (Note 6) (g)	12,174,148	37,338,308	Due and demandable; noninterest-bearing	Unsecured; no impairment
		₱1,616,611,141		

	2017			
	Volume	Receivable	Terms	Conditions
Trade payables (Note 12)				
Ultimate Parent Company (SLRDI)				
Advances	₱29,298,263	₱46,181,514	Payable on demand; noninterest-bearing	Unsecured
Advances to shareholders				
Advances (h)	–	16,346,102	Payable on demand; noninterest-bearing	Unsecured
		₱62,527,616		

The Group in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. These accounts are noninterest-bearing and are generally unsecured. The outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed-upon by the parties.
The significant transactions with related parties follow:

a. The Parent Company, in the normal course of business, has transactions with the Ultimate Parent Company consisting of non-interest bearing advances for working capital requirements with no fixed repayment terms. These are transactions and related receivable arising from sale of lots to Ultimate Parent Company. As discussed in Note 15, on December 27, 2018, pursuant to the Deed of Assignment, the Ultimate Parent Company and the Parent Company executed the Second tranche. The Parent Company acquired 750.00 million treasury shares at the price of ₱1.20 per share to cover the settlement of the ₱900.00 million advances made by the Parent Company to the Ultimate Parent Company. As at April 10, 2019, ₱300.00 million was collected from the Ultimate Parent Company.

b. Other transactions with the Ultimate Parent Company include noninterest-bearing cash advances for various charges for reimbursements of expenses on gasoline consumption of service vehicles, repairs and maintenance, supplies, rentals for project exhibits and advertising/marketing costs. This pertains to the monthly amortization payment from the buyers of the Parent Company collected by the Ultimate Parent Company due to be remitted to the Parent Company.

c. In 2014, SLLI and SLRDI entered into several memorandums of agreements wherein SLLI undertakes the development and marketing of the several projects of SLRDI and has assumed the position of the development contractor and marketing arm. In consideration of the services rendered by SLLI, SLRDI has agreed to the following:

    - Colinas Verdes Bulacan Project - SLRDI has entered into a joint venture agreement with Araneta Properties, Inc. (API) for a proceeds sharing agreement of 60% SLRDI - 40% API share. SLLI shall be entitled to 75% of SLRDI’s share in the joint venture agreement and 12% marketing fee on the gross selling price of all sales made from the project;

    - Green Meadows Iloilo Project - SLRDI has entered into a joint venture agreement with AFP-Retirement and Separation Benefits System (ARSBS) for a lot sharing agreement of 55% SLRDI - 45% ARSBS share. SLLI shall be entitled to 75% of SLRDI’s share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project;

    - Ponte Verde Davao Project- SLRDI has entered into a joint venture agreement with Green Sphere Realty Corporation (GSRC) for a lot sharing agreement of 60% SLRDI - 40% GSRC share. SLLI shall be entitled to 75% of SLRDI's share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project; and

- Valle Verde Davao Project - SLRDI has entered into a joint venture agreement with GSRC for a lot sharing agreement of 60% SLRDI - 40% GSRC share. SLLI shall be entitled to 75% of SLRDI's share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project.

Total proceeds share of SLRDI from the joint operations amounted to ₱169.51 million, ₱157.70 million, ₱159.86 million in 2018, 2017 and 2016, respectively. The share amounting ₱47.13 million, ₱63.57 million, and ₱65.08 million are still to be remitted or offset against the receivable from SLRDI as of December 31, 2018, 2017 and 2016, respectively.

d. Effective October 1, 2014, SLLI directly entered into lease agreements with mall tenants. SLECC and SLLI, on the other hand, entered into a management services agreement effective October 1, 2014 wherein SLECC will provide property management and business development services, leveraging its knowledge in the mall operations from the past years. In exchange of SLECC's services, SLLI shall pay SLECC a management fee equivalent to 7% of the gross rental revenue for managing mall operations including, repairs and maintenance and collection of space rental from storeowners or tenants.

   These are receivables from affiliates which are tenants of the mall.

e. The Parent Company made cash advances for preoperating costs for various expenses like registration fees, taxes and licenses fees to its marketing arm.

   The advances amounted to nil and ₱0.57 million in 2018 and 2017, respectively.

f. The Parent Company made noninterest-bearing cash advances to officers and directors which will be liquidated upon completion of the business transaction.

   These advances amounted to ₱9.96 million and ₱14.50 million in 2018 and 2017, respectively.

g. The Parent Company made cash advances to SVI to be used for various administrative and operating expenses.

   These advances amounted to ₱59.00 million and ₱33.83 million in 2018 and 2017, respectively.

h. The Parent Company made advances from SLHI to be used for various administrative and operating expenses.

   These advances amounted to nil and ₱0.09 million in 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the Group has not made any provision for ECL relating to amounts owed by related parties. There have been no guarantees and collaterals provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. This assessment of the Group is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Key Management Personnel
Compensation of key management personnel by benefit type follows:

	2018	2017
Short-term employee benefits	**₱14,670,000**	₱14,670,000
Post-employment benefits (Note 20)	**554,745**	541,059
	₱15,224,745	₱15,211,059

20. Pension Liabilities

The Group has a funded, noncontributory, defined benefit pension plan covering all employees having regular employment status starting 2017. The plan provides a retirement benefit equal to 22.5 days pay for every year of credited service in accordance with the Retirement Pay Law (Republic Act No. 7641). The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

The following tables summarize the components of pension expense and net interest expense recognized in the consolidated statements of comprehensive income, remeasurements recognized in other comprehensive income and the funded status and amounts recognized in the consolidated statements of financial position for the existing pension plan.

Components of retirement expense included in “Salaries and wages and other benefits” in the statements of comprehensive income follow:

	2018	2017
Current service cost	**₱896,950**	₱845,213
Interest cost	**66,612**	145,166
	₱963,562	₱990,379

The remeasurements recognized in OCI for the year ended December 31, 2018 and 2017 follows:

	2018	2017
Actuarial losses (gains) due to:		
Experience adjustments	**₱5,612,027**	(₱333,091)
Changes in financial assumptions	**(1,406,984)**	(235,371)
Asset return in net interest cost	**173,100**	54,200
	₱4,378,143	(₱514,262)

Changes in the present value of the defined benefit obligation follow:

	2018	2017
Balances at beginning of year	**₱4,154,455**	₱3,678,338
Current service cost	**896,950**	845,213
Interest cost	**239,712**	199,366
Actuarial losses (gains) due to:		
Changes in financial assumptions	**(1,406,984)**	(235,371)
Experience adjustments	**5,612,027**	(333,091)
Balances at end of year	**₱9,496,160**	₱4,154,455

Changes in the fair value of the plan asset which are in the form of cash follow:

	2018	2017
Balances at beginning of year	**₱2,000,000**	₱–
Interest income	**173,100**	54,200
Contributions	**2,000,000**	2,000,000
Return on plan assets	**(173,100)**	(54,200)
Balances at end of year	**₱4,000,000**	₱2,000,000

The Group expects to contribute ₱2.00 million to its retirement fund in 2019.

The plan deficit follow:

	2018	2017
Defined benefit obligation, ending	**₱9,496,160**	₱4,154,455
Fair value of plan assets, ending	**(4,000,000)**	(2,000,000)
Balances at end of year	**₱5,496,160**	₱2,154,455

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	2018	2017
Discount rate	**7.70%**	5.77%
Salary increase rate	**3.00%**	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant.

	2018		
	Increase/ decrease in rate	**Impact on defined benefit obligation**	
		Increase	**Decrease**
Salary increase rate	**+/-1%**	**₱687,450**	**(₱574,339)**
Discount rate	**+/-1%**	**661,438**	**(546,658)**

	2017		
	Increase/ decrease in rate	Impact on defined benefit obligation	
		Increase	Decrease
Salary increase rate	+/-1%	₱689,445	(₱568,863)
Discount rate	+/-1%	722,758	(584,303)

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

	December 31	
	2018	2017
2018	**₱5,238,305**	₱–
2019	**–**	–
2020	**547,552**	504,797
2021	**–**	–
2022	**666,025**	–
2023 – 2027	**6,857,765**	7,312,038

There was no plan amendment, curtailment, or settlement recognized in 2018 and 2017.

21. Interest in Joint Operations

The Group has entered into joint operations with various landowners and other companies, which include related parties. The interests in these joint operations range from 32% to 80% of the value of the whole project depending on the value of the land or investment of the other party against the estimated development costs. These joint operations entered into by the Group relate to the development and sale of subdivision land and condominium projects, with certain specified lots or units allocated to the joint operations. The Group's joint operations typically require the parties to contribute the land free from any lien, encumbrance and tenants or informal settlers to the project, with the Group bearing all costs related to land development and the construction of subdivision and condominium facilities.

Sales and marketing costs are allocated to both the Group and the joint operator. The projects covering the joint operations are expected to be completed in various dates. Capital commitments amounted to ₱5,200.00 million and ₱4,170.00 million in 2018 and 2017, respectively.

22. Segment Information

Operating segments are components of an entity for which discrete financial information is available that is regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segments and in assessing performance. Generally, financial information is required to be reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments.

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has two reportable operating segments as follows:

- *Leasing*
  This segment consists of the Group's investment properties which includes properties that are held to earn rentals and are not occupied by the Group.

- *Residential development*
  This represents the development and selling of subdivision lots and high rise condominium projects across the Philippines.

For investment properties, financial information is provided to the BOD on a property by property basis. The information provided is net rentals (including gross rent less property expenses). Information on the residential development property segment provided to the BOD is aggregated and is represented by revenue and profit from the sale of real estate inventories.

Segment assets for the investment property segment represent investment property held to earn rentals. Segment assets for the residential development segment represent unsold real estate inventories. Segment liabilities represent loans payable and customers' deposits as these are the only liabilities reported to the BOD on a segmental basis.

The Group's administrative costs, interest income and interest expense are reported to the BOD on a segmental basis. There are no sales between segments.

The following tables regarding business segments present assets and liabilities as of December 31, 2018, 2017 and 2016 and revenue and income information for each of the three years in the period ended December 31, 2018.

	2018		
	Leasing	Residential Development	Total
Rental income	₱858,758,442	₱–	₱858,758,442
Cost of rental income	(553,974,130)	–	(553,974,130)
Real estate sales	–	2,428,307,857	2,428,307,857
Cost of real estate sales	–	(959,025,588)	(959,025,588)
Segment gross profit	304,784,312	1,469,282,269	1,774,066,581
Selling and administrative expense	(113,357,034)	(505,462,039)	(618,819,073)
Interest income	498,370	300,474,927	300,973,297
Interest expense	–	(706,707,500)	(706,707,500)
Commission income	–	181,286,064	181,286,064
Dividend income	–	7,157,683	7,157,683
Other income	–	255,736,621	255,736,621
Other expense	(781,460)	(50,797,546)	(51,579,006)
Provision for income tax	–	(76,935,383)	(76,935,383)
Net income	₱191,144,188	₱874,035,096	₱1,065,179,284
Total segment assets	₱5,628,128,351	₱29,208,955,514	₱34,837,083,865
Segment liabilities	₱–	₱19,725,202,153	₱19,725,202,153
Income tax payable	–	19,894,432	19,894,432
Deferred tax liabilities	49,301,827	526,488,770	575,790,597
Total liabilities	₱49,301,827	₱20,271,585,355	₱20,320,887,182
Cash flows arising from:			
Operating activities	₱382,371,833	(₱2,020,609,309)	₱1,638,237,206
Investing activities	(108,667,923)	(98,154,725)	(206,822,648)
Financing activities	–	2,283,353,513	2,283,353,513

	2017		
	Leasing	Residential Development	Total
Rental income	₱1,026,099,885	₱–	₱1,026,099,885
Cost of rental income	(583,993,393)	–	(583,993,393)
Real estate sales	–	2,108,492,387	2,108,492,387
Cost of real estate sales	–	(860,882,958)	(860,882,958)
Construction income	–	1,612,700	1,612,700
Cost of construction	–	(943,899)	(943,899)
Segment gross profit	442,106,492	1,248,278,230	1,690,384,722
Selling and administrative expense	(30,483,143)	(544,726,114)	(575,209,257)
Interest income	50,429	159,997,393	160,047,822
Interest expense	–	(487,638,932)	(487,638,932)
Dividend income	–	7,157,683	7,157,683
Commission income	–	109,263,232	109,263,232
Other income	–	276,625,704	276,625,704
Other expense	(9,428,471)	(40,179,847)	(49,608,318)
Provision for income tax	(120,673,592)	(192,697,812)	(313,371,404)
Net income	₱281,571,715	₱536,079,537	₱817,651,252
Total segment assets	₱6,407,023,367	₱23,399,989,869	₱29,807,013,236
Segment liabilities	₱326,175,555	₱14,406,256,300	₱14,732,431,855
Income tax payable	–	46,184,278	46,184,278
Deferred tax liabilities	325,136,555	393,305,748	718,442,303
Total liabilities	₱651,312,110	₱14,845,746,326	₱15,497,058,436
Cash flows arising from:			
Operating activities	₱22,162,829	(₱3,078,645,160)	(₱3,056,482,331)
Investing activities	(4,755,961)	(180,143,546)	(184,899,507)
Financing activities	–	3,727,170,708	3,727,170,708

	2016		
	Leasing	Residential Development	Total
Rental income	₱852,490,997	₱–	₱852,490,997
Cost of rental income	(581,212,249)	–	(581,212,249)
Real estate sales	–	1,889,582,634	1,889,582,634
Cost of real estate sales	–	(946,430,049)	(946,430,049)
Construction income	–	25,591,746	25,591,746
Cost of construction	–	(16,378,994)	(16,378,994)
Segment gross profit	271,278,748	952,365,337	1,223,644,085
Selling and administrative expense	(48,404,587)	(533,513,894)	(581,918,481)
Interest income	61,866	139,451,846	139,513,712
Interest expense	–	(290,365,003)	(290,365,003)
Dividend income	–	7,157,683	7,157,683
Commission income	–	105,239,098	105,239,098
Other income	–	273,352,497	273,352,497
Other expense	(9,001,890)	(35,940,618)	(44,942,508)
Provision for income tax	(64,018,589)	(37,283,805)	(101,302,394)
Net income	₱149,915,548	₱580,463,141	₱730,378,689
Total segment assets	₱5,735,948,482	₱18,389,362,616	₱24,125,311,098
Segment liabilities	₱182,423,584	₱9,860,395,654	₱10,042,819,238
Income tax payable	44,184,821	34,720,182	78,905,003
Deferred tax liabilities	192,920,179	344,699,553	537,619,732
Total liabilities	₱419,528,584	₱10,239,815,389	₱10,659,343,973
Cash flows arising from:			
Operating activities	₱6,349,685	(₱2,201,363,096)	(₱2,195,013,411)
Investing activities	(319,200,922)	(260,639,535)	(579,840,457)
Financing activities	–	700,302,702	700,302,702

Capital expenditures consist of additions to investment property is amounting ₱107.50 million and to ₱155.12 million in 2018 and 2017, respectively.

23. Operating Lease

Operating Leases - Group as Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. These leases have an average life of one (1) to two (2) years with renewal option included in the contracts. There are no restrictions place upon the lessee by entering into the contract.

Future minimum rentals receivable under noncancelable operating leases of the Group follows:

	2018	2017
Within one year	**₱127,591,056**	₱224,743,200
After one year but not more than five years	**17,883,319**	3,151,852
More than five years	**–**	–
	₱145,474,375	₱227,895,052

Monthly rental from mall tenants was subject to escalation clause of 10% per renewal.

Rent income recognized amounted to ₱858.76 million, ₱1,026.10 million and ₱852.49 million in 2018, 2017 and 2016, respectively.

Parent Company

Effective October 1, 2014, SLLI directly entered into lease agreements with mall tenants. SLECC and SLLI, on the other hand, entered into a management services agreement effective October 1, 2014 wherein SLECC will provide property management business development services, leveraging its knowledge in the mall operations from past years. In exchange of SLECC's services, SLLI shall pay SLECC a management fee equivalent to 7% of the gross rental revenue for managing mall operations including repairs and maintenance and collection of space rental from storeowners or tenants.

24. Income Tax

Provision for income tax consists of:

	2018	2017	2016
Current	**₱216,105,289**	₱132,390,260	₱155,326,875
Deferred	**(141,338,263)**	180,668,293	(55,818,205)
Final	**2,168,357**	312,851	1,793,724
	₱76,935,383	₱313,371,404	₱101,302,394

The current provision for income tax in 2018, 2017 and 2016 represents RCIT.

The Group recognized deferred tax liabilities amounting to ₱1.31 million, ₱0.15 million and ₱0.25 million on remeasurement losses from pension liabilities recognized in OCI for the years ended December 31, 2018, 2017 and 2016, respectively.

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2018	2017	2015
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effect of:			
Nondeductible expenses	**0.10**	0.06	0.10
Income subjected to final taxes	**(0.10)**	–	0.08
Nontaxable income	**(0.19)**	(0.86)	(0.25)
Reversal of deferred tax liability	–	(1.49)	(17.75)
Effective income tax rate	**29.81%**	27.71%	12.18%

The components of net deferred tax liabilities as of December 31, 2018 and 2017 are as follows:

	2018	2017
Deferred tax assets on:		
Allowance for doubtful accounts	**₱4,750,789**	₱4,332,605
Accrued retirement liability	**787,507**	646,336
	5,538,296	4,978,941
Deferred tax liabilities on:		
Excess of realized gross profit over taxable realized gross profit on real estate sales and difference in tax base and accounting base on rental income	**240,044,741**	528,670,179
Prepaid commission	**194,671,128**	95,179,195
Capitalized borrowing cost	**63,871,418**	41,349,272
Fair value gain on repossessed inventory	**40,646,988**	30,177,886
Unamortized transaction cost	**30,367,428**	18,101,084
Unamortized discount on receivables	**11,699,852**	9,924,908
Others	**27,338**	18,720
	581,328,893	723,421,244
Net deferred tax liability	**(₱575,790,597)**	(₱718,442,303)

The Group did not recognize deferred tax asset on NOLCO of SLHI amounting to ₱12.09 million and ₱36.72 million in 2018 and 2017, respectively, since management believes that the tax benefit related will not reverse through income tax deductions in the near future.

The details of NOLCO follows:

Year Incurred	Amount	Expired	Balance	Expiry Date
Decemebr 31, 2018	₱36,697	₱–	₱36,697	2021
December 31, 2017	85,300	–	85,300	2020
December 31, 2016	11,963,840	–	11,963,840	2019
December 31, 2015	24,665,440	24,665,440	–	2018
	₱36,751,277	₱24,665,440	₱12,085,837	

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

25. Earnings per Share

The basic earnings per share for the years ended December 31, 2018, 2017 and 2016 were computed as follows:

	2018	2017	2016
Net income	**₱1,065,179,284**	₱817,651,252	₱730,378,689
Weighted average number of shares outstanding	**8,946,450,000**	8,946,450,000	8,946,450,000
Earnings per share	**₱0.12**	₱0.09	₱0.08

There were no potential dilutive shares in 2018, 2017 and 2016.

26. Fair Value Determination

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

Cash and cash equivalents, receivables and accounts and other payables
Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Installment contracts receivables
The fair values of real estate receivable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity. The discount rate used in 2018 and 2017 ranges from 6.25% to 7.24% and 5.19% to 8.08%, respectively. The carrying value and fair value of the receivables amounted to ₱1,215.81 and ₱1,234.77 million in 2018 and 2017, and ₱1,248.06 million and ₱1,272.94 million in 2018 and 2017, respectively.

Financial assets at FVOCI quoted equity securities
In 2018, the fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities
In 2018, the fair values are based on the adjusted net asset value.

AFS financial assets
In 2017, the fair value of quoted AFS financial assets is the current closing price as of reporting date while unquoted AFS financial assets are carried at cost since fair value cannot be reliably estimated due to lack or reliable estimates of future cash flows and discount rates necessary to calculate the fair value. There is currently no market for these unquoted AFS financial assets and the Group intends to hold them for the long term.

Short term debt
Carrying amounts approximate the fair values because they carry interest rates which are the prevailing market rates for similar instruments.

Long term debt
The fair values of bonds payable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity. The discount rate used in 2018 and 2017 ranges from 6.14% to 7.52%. The carrying value and fair value of the bonds payable amounted to ₱9,998.78 million and ₱10,100.00 million in 2018 and ₱5,039.66 million and ₱5,100.00 million in 2017.

The quantitative disclosures on fair value measurement hierarchy for assets as of December 31, 2018 and 2017 follow:

		2018			
		Fair value measurements using			
	Carrying values	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant offer observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value					
Quoted equity securities	**₱825,504,831**	**₱825,504,831**	**₱825,504,831**	**₱–**	**₱–**
Unquoted equity securities	**159,531,769**	**159,531,769**	**–**	**–**	**159,531,769**
Assets for which fair value are disclosed					
Installment contracts receivables	**1,215,808,860**	**1,248,060,055**	**–**	**–**	**1,248,060,055**
Investment properties	**5,154,483,562**	**6,989,000,000**	**–**	**–**	**6,989,000,000**
Liabilities for which fair value are disclosed					
Short-term debt	**3,608,000,000**	**3,608,000,000**	**–**	**–**	**3,608,000,000**
Long-term debt	**9,998,775,240**	**10,100,000,000**	**–**	**–**	**10,100,000,000**

		2017			
		Fair value measurements using			
	Carrying values	Total	Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Quoted equity securities	₱785,139,299	₱785,139,299	₱785,139,299	₱–	₱–
Unquoted equity securities	92,893,438	92,893,438	–	–	92,893,438
Assets for which fair value are disclosed					
Installment contracts receivables	2,231,911,871	2,270,079,543	–	–	2,270,079,543
Investment properties	5,157,615,826	8,089,976,115	–	–	8,089,976,115
Liabilities for which fair value are disclosed					
Short-term debt	5,475,000,000	5,475,000,000	–	–	5,475,000,000
Long-term debt	5,039,663,054	5,100,000,000	–	–	5,100,000,000

As at December 31, 2018, the Group's financial assets at FVOCI amounting to ₱825.50 million (Note 9) is carried at fair value based on Level 1 while the fair value for the investment amounting ₱159.53 million is based on Level 3. The fair value for non-current receivables are based on Level 3. There have been no transfers between Level 1 and Level 2 during 2018 and 2017.

27. Financial Asset and Liabilities

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the net asset settles the liability simultaneously.

The following table represents the recognized financial instruments that are offset as of December 31, 2018 and December 31, 2017, and shows in the 'Net' column what the net impact would be on the Group's consolidated statements of financial position as a result of the offsetting rights.

	December 31, 2018		
	Gross Amount	**Offsetting**	**Net Amount**
Due from related parties	**₱–**	**₱1,073,475,512**	**₱1,073,475,512**
Due to related parties	**(523,078,246)**	**–**	**(523,078,246)**
	(₱523,078,246)	**₱1,073,475,512**	**₱550,397,266**

	December 31, 2017		
	Gross Amount	Offsetting	Net Amount
Due from related parties	₱962,055,678	₱–	₱962,055,678
Due to related parties	–	(210,638,713)	(210,638,713)
	₱962,055,678	(₱210,638,713)	₱751,416,965

SLLI's payable to SLRDI arising from SLRDI's unremitted share in the development and sale of the several projects of the latter is offset against the total receivable from SLRDI.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, financial assets at FVOCI, accounts and other payables, short-term debt and long-term debt.

Management closely monitors the cash fund and financial transactions of the Group. These strategies, to an extent, mitigate the Group's interest rate and credit risks.

Exposure to liquidity and credit risks arise in the normal course of the Group's business activities.

The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Liquidity risk
Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Group manages its liquidity profile to be able to finance the capital expenditures and service the maturing debts. To cover the financing requirements, the Group intends to use internally generated funds and proceeds from debt and equity offerings.

The Group actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets. As of December 31, 2018 and 2017, the Group has undrawn facilities amounting nil and ₱675.00 million, respectively. As part of the liquidity risk management, the Group is currently transacting with local banks for a longer term corporate notes and negotiation of higher undrawn credit lines to meet the debtors', suppliers' and contractors' obligations and business expansion.

At the Special Meeting of the Board of Directors of the Group held last February 17, 2017, wherein, subject to securing all required approvals under applicable laws, rules and regulations, the Group was authorized to negotiate and avail of a 10 year Corporate Note Facility with financial institutions, with a maximum of 19 investors, for an aggregate amount of ₱3,000.00 million and with an overallotment option of ₱2,000.00 million, for the pre-payment of existing obligations of the Group, strategic land banking, capital expenditures for ongoing and new projects, and general corporate purposes.

Through scenario analysis and contingency planning, the Group also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost, and ensures the availability of ample unused credit facilities as back-up liquidity.

Cash are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise.

The table summarizes the maturity profile of the Group's financial assets and financial liabilities at December 31 based on contractual undiscounted payments:

	2018			
	< 1 year	**>1 to < 5 years**	**> 5 years**	**Total**
Financial assets				
Cash and cash equivalents	**₱1,064,532,966**	**₱–**	**₱–**	**₱1,064,532,966**
Receivables:				
Trade:				
Subdivision land	**322,312,401**	**603,260,509**	**24,268,552**	**949,841,462**
Condominium units	**101,195,184**	**189,403,505**	**7,619,504**	**298,218,193**
Receivable from related parties	**617,809,281**	**–**	**–**	**617,809,281**
Advances to joint venture	**138,649,152**	**–**	**–**	**138,649,152**
Advances to officers and employees	**93,900,187**	**–**	**–**	**93,900,187**
Commission receivable	**67,574,255**	**–**	**–**	**67,574,255**
Accrued interest receivable	**162,107,893**	**–**	**–**	**162,107,893**
Receivable from tenants	**50,335,764**	**–**	**–**	**50,335,764**

(Forward)

	2018			
	< 1 year	**>1 to < 5 years**	**> 5 years**	**Total**
Dividend receivable	**₱10,862,227**	**₱–**	**₱–**	**₱10,862,227**
Others	**27,585,636**	**–**	**–**	**27,585,636**
Financial instruments at fair value through other comprehensive income (FVOCI)	**985,036,600**	**–**	**–**	**985,036,600**
Total Financial Assets	**3,641,901,546**	**792,664,014**	**31,888,056**	**4,466,453,616**
Contract assets	**466,433,596**	**873,007,535**	**35,120,175**	**1,374,561,306**
	₱4,108,335,142	**₱1,665,671,549**	**₱67,008,231**	**₱5,841,014,922**
Financial liabilities				
Accounts and other payables:				
Contractors payable	**₱1,661,633,075**	**₱–**	**₱–**	**₱1,661,633,075**
Joint venture payable	**354,542,771**	**–**	**–**	**354,542,771**
Accounts payable	**1,224,671,818**	**–**	**–**	**1,224,671,818**
Retention payable	**110,346,999**	**–**	**–**	**110,346,999**
Accrued payables	**15,221,243**	**–**	**–**	**15,221,243**
Payable to related parties				
Trade	**45,811,724**	**–**	**–**	**45,811,724**
Nontrade	**16,346,102**	**–**	**–**	**16,346,102**
Interest payable	**147,228,975**	**–**	**–**	**147,228,975**
Others	**110,969,591**	**–**	**–**	**110,969,591**
Short term and long term debts	**3,608,000,000**	**6,032,243,232**	**3,966,532,008**	**13,606,775,240**
Total Financial Liabilities	**₱7,294,772,298**	**₱6,032,243,232**	**₱3,966,532,008**	**₱17,293,547,538**

	2017			
	< 1 year	>1 to < 5 years	> 5 years	Total
Financial assets				
Cash	₱626,239,307	₱–	₱–	₱626,239,307
Receivables:				
Trade:				
Subdivision land	662,130,542	1,061,123,661	42,724,349	1,765,978,552
Condominium units	108,181,672	380,642,914	15,276,406	504,100,992
Receivable from related parties	1,579,272,833	–	–	1,579,272,833
Advances to joint venture	126,506,537	–	–	126,506,537
Advances to officers and employees	86,924,210	–	–	86,924,210
Commission receivable	60,689,078	–	–	60,689,078
Accrued interest receivable	51,457,011	–	–	51,457,011
Receivable from tenants	42,044,231	–	–	42,044,231
Dividend receivable	5,662,941	–	–	5,662,941
Others	16,578,363	–	–	16,578,363
Available for sale securities	878,032,737	–	–	878,032,737
	₱4,243,719,462	₱1,441,766,575	₱58,000,755	₱5,743,486,792
Financial liabilities				
Accounts and other payables:				
Contractors payable	₱1,221,862,467	₱–	₱–	₱1,221,862,467
Accounts payable	1,015,903,526	–	–	1,015,903,526
Joint venture payable	236,456,979	–	–	236,456,979
Retentions payable	101,318,750	–	–	101,318,750
Accrued payable	27,237,491	–	–	27,237,491
Payable to related parties:				
Trade	46,181,514	–	–	46,181,514
Nontrade	16,346,102	–	–	16,346,102
Interest payable	58,631,306	–	–	58,631,306
Others	137,339,044	–	–	137,339,044
Short term and long term debts	5,475,000,000	1,971,742,547	3,067,920,507	10,514,663,054
	₱7,443,007,601	₱1,971,742,547	₱3,067,920,507	₱12,482,670,655

Short term and long term debts include future interest payments.

Cash and receivables are used for the Group's liquidity requirements. Refer to the terms and maturity profile of these financial assets under the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables and contract assets
Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

An impairment analysis is performed at each reporting date using a simplified approach to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed below. Title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Real estate contracts
Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. The credit risk for installment contracts receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject lot in case of refusal by the buyer to pay on time the amortization due. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

An impairment analysis is performed at each reporting date using a simplified approach to measure expected credit losses. The provision rates are based groupings of various customer segments with similar loss patterns (i.e., by geography, product type, customer type and rating and coverage by letters of credit and other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's installment contracts receivables and contract assets using the simplified approach:

		2018	
	Total	**Vertical**	**Horizontal**
Expected credit loss rate	**0.0%**	**0.0%**	**0.0%**
Estimated total gross carrying amount at default	**₱2,622,621,161**	**₱822,150,794**	**₱1,800,470,367**

		2017	
	Total	Vertical	Horizontal
Expected credit loss rate	0.0%	0.0%	0.0%
Estimated total gross carrying amount at default	₱2,231,911,871	₱564,887,075	₱1,667,024,796

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position as of December 31, 2018 and 2017.

	2018	2017
Contract assets	**₱1,374,561,306**	₱–
Trade receivables		
Subdivision land	**949,841,462**	1,765,978,552
Condominium units	**298,218,193**	504,100,992
Receivable from related parties	**617,809,281**	1,579,272,833
Accrued interest receivable	**162,107,893**	51,457,011
Commission receivable	**67,574,255**	60,689,078
Receivable from tenants	**50,335,764**	42,044,231
Dividend receivable	**10,862,227**	5,662,941
	₱3,531,310,381	₱4,009,205,638

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk. As of December 31, 2018 and 2017, the aging analysis of past due but not impaired receivables presented per class, is as follows:

	2018								
	Neither Past Due nor Impaired	Past Due but not Impaired							
		1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total	Impaired	Total
Trade:									
Subdivision land	**₱882,136,037**	**₱13,033,396**	**₱9,868,537**	**₱8,684,393**	**₱8,068,046**	**₱12,215,090**	**₱51,869,462**	**₱15,835,963**	**₱949,841,462**
Condominium units	**282,019,054**	**3,655,973**	**3,489,390**	**3,077,569**	**2,630,596**	**3,345,611**	**16,199,139**	**–**	**298,218,193**
Receivable from related parties	**617,809,281**	–	–	–	–	–	–	–	**617,809,281**
Advances to joint venture	**138,649,152**	–	–	–	–	–	–	–	**138,649,152**
Advances to officers and employees	**93,900,187**	–	–	–	–	–	–	–	**93,900,187**
Commission receivable	**67,574,255**	–	–	–	–	–	–	–	**67,574,255**
Accrued interest receivable	**162,107,893**	–	–	–	–	–	–	–	**162,107,893**
Receivable from tenants	**50,335,764**	–	–	–	–	–	–	–	**50,335,764**
Dividend receivable	**10,862,227**	–	–	–	–	–	–	–	**10,862,227**
Others	**27,585,636**	–	–	–	–	–	–	–	**27,585,636**
Total	**₱2,333,079,486**	**₱16,689,369**	**₱13,357,927**	**₱11,761,962**	**₱10,698,642**	**₱15,560,701**	**₱68,068,601**	**₱15,835,963**	**₱2,416,884,050**

	2017								
	Neither Past Due nor Impaired	Past Due but not Impaired							
		1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total	Impaired	Total
Trade:									
Subdivision land	₱1,685,921,312	₱12,197,842	₱10,577,176	₱8,720,624	₱15,190,655	₱18,928,924	₱65,615,221	₱14,442,019	₱1,765,978,552
Condominium units	488,286,998	3,738,459	2,895,874	2,523,203	2,274,014	4,382,444	15,813,994	–	504,100,992
Receivable from related parties	1,579,272,833	–	–	–	–	–	–	–	1,579,272,833
Advances to joint venture	126,506,537	–	–	–	–	–	–	–	126,506,537
Advances to officers and employees	86,924,210	–	–	–	–	–	–	–	86,924,210
Commission receivable	60,689,078	–	–	–	–	–	–	–	60,689,078
Accrued interest receivable	51,457,011	–	–	–	–	–	–	–	51,457,011
Receivable from tenants	42,044,231	–	–	–	–	–	–	–	42,044,231
Dividend receivable	5,662,941	–	–	–	–	–	–	–	5,662,941
Others	16,578,363	–	–	–	–	–	–	–	16,578,363
Total	₱4,143,343,514	₱15,936,301	₱13,473,050	₱11,243,827	₱17,464,669	₱23,311,368	₱81,429,215	₱14,442,019	₱4,239,214,748

The table below shows the credit quality of the Group’s financial assets as of December 31, 2018 and 2017.

	2018						
	Neither past due nor impaired				Past due but		
	High Grade	**Medium Grade**	**Low Grade**	**Total**	**not impaired**	**Impaired**	**Total**
Cash in bank and cash equivalents	**₱1,063,149,948**	**₱–**	**₱–**	**₱1,063,149,948**	**₱–**	**₱–**	**₱1,063,149,948**
Receivables:							
Trade:							
Subdivision land	**882,136,037**	**–**	**–**	**882,136,037**	**51,869,462**	**15,835,963**	**949,841,462**
Condominium units	**282,019,054**	**–**	**–**	**282,019,054**	**16,199,139**	**–**	**298,218,193**
Receivable from related parties	**617,809,281**	**–**	**–**	**617,809,281**	**–**	**–**	**617,809,281**
Advances to officers and employees	**93,900,187**	**–**	**–**	**93,900,187**	**–**	**–**	**93,900,187**
Advances to joint venture	**138,649,152**	**–**	**–**	**138,649,152**	**–**	**–**	**138,649,152**
Commission receivable	**67,574,255**	**–**	**-**	**67,574,255**	**–**	**–**	**67,574,255**
Accrued interest receivable	**162,107,893**	**–**	**–**	**162,107,893**	**–**	**–**	**162,107,893**
Receivables from tenants	**50,335,764**	**–**	**–**	**50,335,764**	**–**	**–**	**50,335,764**
Dividend receivable	**10,862,227**	**–**	**–**	**10,862,227**	**–**	**–**	**10,862,227**
Others	**27,585,636**	**–**	**–**	**27,585,636**	**–**	**–**	**27,585,636**
Financial assets at fair value through other comprehensive income (OCI)	**985,036,600**	**–**	**–**	**985,036,600**	**–**	**–**	**985,036,600**
	₱4,381,166,034	**₱–**	**₱–**	**₱4,381,166,034**	**₱68,068,601**	**₱15,835,963**	**₱4,465,070,598**

	2017						
	Neither past due nor impaired				Past due but		
	High Grade	Medium Grade	Low Grade	Total	not impaired	Impaired	Total
Cash in bank	₱625,059,721	₱–	₱–	₱625,059,721	₱–	₱–	₱625,059,721
Receivables:							
Trade:							
Subdivision land	1,685,671,427	–	–	1,685,671,427	65,615,221	14,442,019	1,765,728,667
Condominium units	488,286,998	–	–	488,286,998	15,813,994	–	504,100,992
Receivable from related parties	1,579,272,833	–	–	1,579,272,833	–	–	1,579,272,833
Advances to officers and employees	86,924,210	–	–	86,924,210	–	–	86,924,210
Accrued interest receivable	126,506,537	–	–	126,506,537	–	–	126,506,537
Commission receivable	–	–	60,689,078	60,689,078	–	–	60,689,078
Advances to joint venture	51,457,011	–	–	51,457,011	–	–	51,457,011
Receivables from tenants	42,044,231	–	–	42,044,231	–	–	42,044,231
Dividend receivable	5,662,941	–	–	5,662,941	–	–	5,662,941
Others	16,578,363	–	–	16,578,363	–	–	16,578,363
AFS financial assets	878,032,737	–	–	878,032,737	–	–	878,032,737
	₱5,585,247,124	₱–	₱60,689,078	₱5,645,936,202	₱81,429,215	₱14,442,019	₱5,742,057,321

The credit quality of the financial assets was determined as follows:

Cash - high grade pertains to cash deposited in local banks belonging to the top ten banks in the Philippines in terms of resources and profitability.

Receivables - high grade pertains to receivables with no default in payment and pertains to related parties; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages the equity price risk through diversification and placing limits on equity instruments.

The effect on equity, as a result of a change in carrying amount of financial assets at fair value through other comprehensive income (FVOCI) as of December 31, 2018 and 2017 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱98.50 million and ₱87.80 million, respectively, if equity indices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

Interest rate risk
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 of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve, and degree of variability of cash flows.

The following table demonstrates the sensitivity of the Group's income before tax and equity to a reasonably possible change in interest rates on December 31, 2018 and 2017, with all variables held constant, (through the impact on floating rate borrowings):

	Effect on income before income tax Increase (decrease)	
	2018	2017
Change in basis points:		
+100 basis points	**(₱112,312,658)**	(₱105,146,631)
-100 basis points	**112,312,658**	105,146,631

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.

The terms and maturity profile of the undiscounted interest-bearing financial assets and liabilities, at discounted values together with their corresponding nominal amounts and carrying values are shown in the following table:

	2018						
	Interest terms (p.a.)	Rate Fixing Period	On Demand	1 to 3 months	3 to 12 months	1 to 5 years	Total
Financial Assets							
Cash and cash equivalents	Fixed at the date of investment	Various	**₱1,064,532,966**	**₱–**	**₱–**	**₱–**	**₱1,064,532,966**
Installment contracts receivables	Fixed at the date of sale	Date of sale	**78,692,838**	**165,366,331**	**496,098,992**	**507,901,494**	**1,248,059,655**
Receivables from related parties	N/A	N/A	**617,809,281**	–	–	–	**617,809,281**
Other	N/A	N/A	**27,585,636**	–	–	–	**27,585,636**
Financial assets at fair value through OCI	N/A	N/A	–	–	–	**985,036,600**	**985,036,600**
Total financial assets			**1,788,620,721**	**165,366,331**	**496,098,992**	**1,492,938,094**	**3,943,024,138**
Contract assets			**64,618,364**	**159,214,001**	**477,642,003**	**673,086,938**	**1,374,561,306**
Total undiscounted financial and contract assets			**1,853,239,085**	**324,580,332**	**973,740,995**	**2,166,025,032**	**5,317,585,444**
Financial Liabilities							
Bonds payable	Variable at 2.5% over 91 days PDST	Quarterly	–	–	–	**2,000,000,000**	**2,000,000,000**
Loans payable	Fixed at the date of loan	Quarterly	–	**1,108,000,000**	**2,500,000,000**	–	**3,608,000,000**
Notes payable	N/A	N/A	–	–	–	**8,100,000,000**	**8,100,000,000**
Accounts and other payables	N/A	N/A	**3,990,826,478**	–	–	–	**3,990,826,478**
Total undiscounted financial liabilities			**3,990,826,478**	**1,108,000,000**	**2,500,000,000**	**10,100,000,000**	**17,698,826,478**
Liquidity position (gap)			**(₱2,137,587,393)**	**(₱783,419,668)**	**(₱1,526,259,005)**	**(₱7,933,974,968)**	**(₱12,381,241,034)**

	2017						
	Interest terms (p.a.)	Rate Fixing Period	On Demand	1 to 3 months	3 to 12 months	1 to 5 years	Total
Financial Assets							
Cash	Fixed at the date of investment	Various	₱626,239,307	₱–	₱–	₱–	₱626,239,307
Installment contracts receivables	Fixed at the date of sale	Date of sale	105,707,278	164,236,964	492,710,889	1,507,424,413	2,270,079,544
Receivables from related parties	N/A	N/A	1,579,272,833	–	–	–	1,579,272,833
Other	N/A	N/A	16,578,363	–	–	–	16,578,363
Financial assets at fair value through OCI	N/A	N/A	–	–	–	948,029,269	948,029,269
Total financial assets			2,327,797,781	164,236,964	492,710,889	2,455,453,682	5,440,199,316
Contract assets			36,463,545	101,081,022	303,243,066	825,479,801	1,266,267,434
Total undiscounted financial and contract assets			2,364,261,326	265,317,986	795,953,955	3,280,933,483	6,706,466,750
Financial Liabilities							
Bonds payable	Variable at 2.5% over 91 days PDST	Quarterly	–	–	–	2,000,000,000	2,000,000,000
Loans payable	Fixed at the date of loan	Quarterly	–	1,183,000,000	4,292,000,000	–	5,475,000,000
Notes payable	N/A	N/A	–	–	–	3,100,000,000	3,100,000,000
Accounts and other payables	N/A	N/A	2,992,200,850	–	–	–	2,992,200,850
Total undiscounted financial liabilities			2,992,200,850	1,183,000,000	4,292,000,000	5,100,000,000	13,567,200,850
Liquidity position (gap)			(₱627,939,524)	(₱917,682,014)	(₱3,496,046,045)	(₱1,819,066,517)	(₱6,860,734,100)

28. Notes to Statements of Cash Flows

Below are the non-cash investing and financing activities for December 31, 2018, 2017 and 2016:

a. The interest paid excludes capitalized borrowing costs and accretion of bond transaction cost amounting ₱101.68 million and ₱101.28 million, respectively in 2018, ₱64.42 million and ₱18.97 million, respectively, in 2017, and ₱91.92 million and ₱22.72 million, respectively, in 2016.

b. The Parent Company acquired 750.00 million treasury shares at the price of ₱1.20 per share to cover the settlement of the ₱900.00 million advances made by the Parent Company to the Ultimate Parent Company. The amount was credited against the outstanding receivables from the Ultimate Parent Company.

c. The Group transfer other current assets to other noncurrent assets amounting to ₱154.67 million and ₱86.09 million in 2018 and 2017, respectively.

d. In 2017, the Group reclassified property and equipment amounting to ₱0.25 million to other current assets.

Details of the movement in cash flows from financing activities follow:

	December 31, 2017	Cash flows	Non-cash changes	December 31, 2018
Payable to related parties (Note 19)	₱46,181,514	(₱369,791)	₱–	₱45,811,723
Short-term and long-term debt (Note 14)	10,514,663,054	3,063,973,800	(28,138,386)	13,550,498,468
Interest paid	58,631,306	(780,250,496)	868,848,165	147,228,975
Total liabilities from financing activities	₱10,619,475,874	₱2,283,353,513	₱840,709,779	₱13,743,539,166

Non-cash changes pertain to accretion of bond discount from short-term and long-term debt, capitalized borrowing costs to inventories and investment properties and accrual of interest expense.

29. Contingencies

Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business including cases related to property restriction violation. The estimate of the probable cost for the resolution of this claim has been developed in consultation with outside counsel handling the defense in this matter and is based upon an analysis of potential results. In the opinion of management and its legal counsel the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. Accordingly, no provision for any liability has been made in the consolidated financial statements.

Disclosures required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, were not provided as it may prejudice the Group's position in ongoing claims and it can jeopardize the outcome of the claims and contingencies.

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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

The Board of Directors and Stockholders
Sta. Lucia Land, Inc. and Subsidiaries
Penthouse Bldg. 3, Sta. Lucia Mall
Marcos Highway cor. Imelda Avenue
Cainta, Rizal

We have audited the accompanying consolidated financial statements of Sta. Lucia Land, Inc. and its subsidiaries (the Group), as at and for the years ended December 31, 2018 and 2017, on which we have rendered the attached report dated April 10, 2019.

In compliance with Securities Regulation Code Rule No. 68, As Amended (2011), we are stating that the Group has two hundred fifty-five (255) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

[redacted]

Michael C. Sabado
Partner

[redacted]

April 10, 2019

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Sta. Lucia Land, Inc. and Subsidiaries
Penthouse Bldg. 3, Sta. Lucia Mall
Marcos Highway cor. Imelda Avenue
Cainta, Rizal

We have audited in accordance with Philippine Standards on Auditing the accompanying consolidated financial statements of Sta. Lucia Land, Inc. and its subsidiaries (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 and have issued our report thereon dated April 10, 2019. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of Sta. Lucia Land, Inc. and its subsidiaries. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the basic consolidated financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the information are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

[redacted]

Michael C. Sabado
Partner

[redacted]

April 10, 2019

STA. LUCIA LAND, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

STA. LUCIA LAND, INC. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AND 68.1 AS AMENDED

DECEMBER 31, 2018

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not a required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

Below is the detailed schedule of financial assets in equity securities of the Group as of December 31, 2018:

Name of Issuing entity and association of each issue	Number of Shares	Amount Shown in the Statement of Financial Position
Financial Assets at Fair Value through Other Comprehensive Income (OCI)		
Quoted:		
Philippine Racing Club, Inc.	70,786,759	₱670,350,608
Manila Jockey Club, Inc.	29,894,841	155,154,223
Unquoted:		
Uni-Asia Properties, Inc.	6,249,999	159,531,769
	106,931,599	₱985,036,600

The basis in determining the value of quoted equity securities is the market quotation on December 31, 2018 while unquoted security is valued at cost less any allowance for impairment.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of December 31, 2018:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
Antonio Robles	₱16,323,676	₱1,580,000	₱–	₱17,903,676
Kristine May Robles	5,368,324	1,093,253	(837,580)	5,623,997
Vicente R. Santos	3,882,826	1,580,000	–	5,462,826
Aurora D. Robles	2,845,000	640,000	–	3,485,000
Antonio Robles	2,785,000	640,000	–	3,425,000
Orestes R. Santos	1,918,718	640,000	–	2,558,718
Mariza Santos Tan	1,326,618	760,000	–	2,086,618
Mardon Santos	917,105	–	–	917,105
Michelle Robles	389,452	–	–	389,452
Emerita Jingle Punzalan	321,333	–	(23,500)	297,833
Pampolina Jeremy	287,548	–	–	287,548
Paul Michael Robles	248,736	–	–	248,736
Ma. Lourdes Concepcion	160,713	–	(23,674)	137,039
David M. Dela Cruz	116,148	–	(3,983)	112,165
	₱36,891,197	₱6,933,253	(₱888,737)	₱42,935,713

These advances consist of advances for expenses and disbursements necessary in carrying out their functions in the ordinary course of business such as for selling and marketing activities, official business trips, emergency and cash on delivery (COD) purchases of materials, equipment and supplies, repair of Group's vehicles, model units and housing units, registration of titles, etc. and short term loans given to officers and employees. The advances will be liquidated when the purposes for which these advances were granted are accomplished or completed or deducted from the officers'/employees' salaries if not liquidated. No amounts were written-off during the year and all amounts are presented as current.

Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables (payables) with related parties which are eliminated in the consolidated financial statements as of December 31, 2018:

	Nature	Volume of Transactions	Receivable (Payable)	Terms
Sta. Lucia Homes, Inc. (SLHI)	Advances	₱79,048	(₱4,080,379)	Non-interest bearing and to be settled within one year
Santalucia Ventures Inc. (SVI)	Advances	39,039,894	190,631,047	Non-interest bearing and to be settled within one year
			₱186,550,668	

	Balance at beginning of period	Additions	Collections	Balance at end of period
SLHI	(₱4,159,426)	₱79,048	₱–	(₱4,080,378)
SVI	151,591,153	59,000,000	(19,960,106)	190,631,047
	₱147,431,727	₱59,079,048	(₱19,960,106)	₱186,550,669

The intercompany transactions between the Parent Company and the subsidiaries pertain to commission fees and advances for the pre-operations. There were no amounts written-off during the year and all amounts are expected to be settled within the year.

Related Party Transactions

Due from related parties

Below is the list of outstanding receivable from related parties of the Group presented in the consolidated statements of financial position as of December 31, 2018:

	Relationship	Nature	Balance at end of period
Sta. Lucia Realty and Development, Inc. (SLRDI)	Ultimate Parent Company	a,b,c, d, e, f, g	(₱260,576,023)
Sta. Lucia East Commercial Corporation (SLECC)	Affiliate	h	420,700,443
Various mall tenants	Affiliate	h	440,802,066
Others	Affiliates	a, i	60,927,852
			₱661,854,338

Nature of intercompany transactions
The nature of the intercompany transactions with the related parties is described below:

a. Consisting of non-interest bearing advances for working capital requirements with no fixed repayment terms.
b. Pertain to receivables from offsetting agreements with common suppliers with the Ultimate Parent Company.
c. Pertain to noninterest-bearing cash advances for various charges to and from affiliated companies for reimbursements of expenses on gasoline consumption of service vehicles, repairs and maintenance, supplies, rentals for project exhibits and advertising/marketing costs.
d. Represent monthly amortization payment from the buyers of the Group remitted to the Ultimate Parent Company.
e. Pertain to the reinstated due from the Ultimate Parent Company after the after rescission of deposit on land rights and subsequently entering into a deed of assignment of shares of stock.
f. Pertain to payable to Ultimate Parent Company for the Ultimate Parent Company's share in the sale of real estate properties of the Ultimate Parent Company but developed by the Parent Company.
g. Pertains to the due from Ultimate Parent Company for the assumption of the its bank loan
h. Pertain to uncollected rental income.
i. Pertain to non-interest bearing cash advances to officers and directors.

The outstanding balances of intercompany transactions are all due and demandable as of December 31, 2018.

<u>Schedule D. Long-term debt</u>
The Group has long term loans amounting to ₱9,998.78 million as of December 31, 2018.

<u>Schedule E. Capital Stock</u>

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
Common Shares	16,000,000,000	8,146,450,000	–	6,701,005,767	1,424,994	1,494,019,239

STA. LUCIA LAND, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2018

Total Unappropriated Retained Earnings - January 1, 2018		₱2,710,700,695
Less:		
Treasury shares		(740,000,000)
Income closed to retained earnings and other reconciling items		747,056,303
TOTAL RETAINED EARNINGS, AVAILABLE FOR DIVIDEND DECLARATION, BEGINNING		₱2,717,756,998
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	1,046,191,512	
Less: Non actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		
- Accretion income	(52,722,001)	
Movement in deferred tax that reduced the amount of income tax expense	(257,844,763)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Unrealized foreign exchange loss - net (except those attributable to cash)	–	
Net income actually earned during the period		735,624,748
Add (Less):		
Dividend declarations during the period		–
Appropriations of retained earnings during the period		–
Reversals of appropriations		–
Effects of prior period adjustments		–
Treasury shares - see beginning reconciliation		(900,000,000)
TOTAL RETAINED EARNINGS, AVAILABLE FOR DIVIDEND DECLARATION , ENDING		₱2,553,381,746

STA. LUCIA LAND, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2018 and 2017:

Financial ratios		2018	2017
Current ratio	Current assets / Current liabilities	**2.81:1**	2.31:1
Debt to equity ratio	Total liabilities / Stockholders' Equity	**0.94:1**	0.73:1
Debt to total assets ratio	Total liabilities / Total assets	**0.58:1**	0.52:1
Return on average assets	Net income attributable to Parent Company / Average assets	**3.30%**	3.02%
Book value per share	Stockholders' equity / Total number of shares	**₱1.76**	₱1.60
Earnings per share	Net income / Total number of shares	**₱0.12**	₱0.091
Debt service coverage ratio	EBITDA / Debt Service	**2.64:1**	3.36:1

STA. LUCIA LAND, INC. AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below is the list of all effective Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2018**		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1:Borrowing Cost			✓
	Amendments to PFRS 1:Meaning of "Effective PFRS"			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Share-based Payment, Classification and measurement of share-based payment transactions			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Definition of Vesting Condition			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Servicing Contracts	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *		✓	
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
	Amendments to PFRS 7: Hedge Accounting (2013 version) *		✓	
PFRS 8	Operating Segments	✓		
	Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments *	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures *	✓		
	Financial Instruments: Classification and Measurement (2010 version) *	✓		
	Amendments to PFRS 9: Hedge Accounting (2013 version) *			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13:Short Term Receivable and Payable	✓		
	Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases *		✓	
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1:Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Presentation of financial statements - disclosure initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses *		✓	
PAS 16	Property, Plant and Equipment	✓		
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Regional Market Issue Regarding Discount Rate			✓
	Amendments to PAS 19:Defined Benefit Plan: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24	Related Party Disclosures - Key Management Personnel	✓		
	Related Party Disclosures - Key Management Personnel (Amended)	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28: Measuring an investment or Joint Venture at Fair Value			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 28: Investment Entities			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets		✓	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Investment Property, Transfers of Investment Property	✓		
	Amendments to PAS 40: Clarification on Ancillary Services			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate *		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 22	Foreign Currency Transactions and Advanced Considerations			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

In addition, the International Accounting Standards Board (IASB) has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* (effective January 1, 2018)
- IFRS 16, *Leases* (effective January 1, 2019)

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2018.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2018. The Group will adopt the Standards and Interpretations when these become effective.

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