COVER SHEET

A S O 9 4 0 0 7 1 6 0

SEC Registration Number

A R T H A L A N D   C O R P O R A T I O N

(Company's Full Name)

7 F   A R T H A L A N D   C E N T U R Y   P A C I F I C   T O W E R
5 T H   A V E N U E   C O R N E R   3 0 T H   S T R E E T
B O N I F A C I O   G L O B A L   C I T Y
T A G U I G   C I T Y

(Business Address: No. Street City/Town/Province)

FERDINAND A. CONSTANTINO	(+632) 403-6910
(Contact Person)	(Company Telephone Number)

1 2	3 1	1 7 - Q	0 6	Last Fri
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

N.A.

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,940		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

ARTHALAND CORPORATION
(Company's Full Name)

7/F ArthaLand Century Pacific Tower, 5th Avenue corner 30th Street
Bonifacio Global City, Taguig City
(Company's Address)

8403-6910
(Telephone Number)

December 31_ — (Fiscal year ending) (month & day)

____ __June 26_____ — (Annual Meeting)

SEC FORM 17 – Q QUARTERLY REPORT
(Form Type)

Amendment Designation (If applicable)

__September 30, 2020_____
(Period Ended Date)

____
(Secondary License Type & File Number)

____
LCU

____
(Cashier)

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DTU

____ASO-94-007160__
(SEC Number)

____
Central Receiving Unit

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File Number

____
Document I.D.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 11 OF THE
REVISED SECURITIES ACT AND RSA RULE 11(a)-1 (b)(2) THEREUNDER

1. For the quarterly period ended *September 30, 2020*

2. Commission Identification No. *ASO-94-007160*

3. BIR TIN *004-450-721-0000*

4. Exact name of registrant as specified in its character

   ARTHALAND CORPORATION

5. Incorporated in Metro Manila, Philippines on *August 10, 1994*.

6. Industry Classification Code ____________________________(SEC Use Only).

7. Address of registrant's principal office Postal Code

   7/F ArthaLand Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City ***1634***

8. Registrant's Telephone Number : *8403-6910*

9. Former name, former address and former fiscal year, if changed since last report: Not Applicable

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares Outstanding	Amount of Debt Outstanding
Common Shares	**5,318,095,199 (₱0.18 par value)**	**None**
Preferred Shares – Series A	**12,500,000 (₱1.00 par value)**	**None**
Preferred Shares – Series B	**20,000,000 (₱1.00 par value)**	**None**
Preferred Shares – Series C	**10,000,000 (₱1.00 par value)**	**None**
ASEAN Green Bonds	**None**	**₱3,000,000,000**

11. Are any or all of the securities listed on the Philippine Stock Exchange?
    YES [X] **NO [ ]**

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange – ALL Outstanding Common Shares and Preferred Shares Series B and C ONLY.

12. Indicate by check mark whether the registrant :
    (a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 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 90 days.
    YES [X] **NO [ ]**

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

See attached.

PART II - OTHER INFORMATION

There are no other information for the period not previously reported in SEC Form 17-C.

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.

Issuer : **ARTHALAND CORPORATION**

Signature and Title : **JAIME C. GONZALEZ**
President

Signature and Title : **FERDINAND A. CONSTANTINO**
Chief Finance Officer

Date : November 3, 2020

ITEM 1. Financial Statements Required under SRC RULE 68.1

1. Basic and Diluted Earnings per Share (See attached Income Statement).

2. The accompanying consolidated interim financial statements of **Arthaland Corporation (ALCO)** were prepared in accordance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS).

3. Notes to Financial Statements:

   a. The accompanying consolidated interim financial statements of **ALCO** were prepared in accordance with PFRS. The financial statements have been prepared using the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values, and net retirement liability which is carried at the present value of the defined benefit obligation at the end of the reporting period. The consolidated interim financial statements are presented in Philippine Pesos.

   b. There is no significant seasonality or cycle of interim operations.

   c. There are no material events subsequent to the end of the interim period not previously reported in SEC form 17-C.

   d. Except as otherwise disclosed separately and mentioned in the general information in this Report, there are no changes in the composition of the issuer during the interim period including business combinations, acquisition of subsidiaries and long-term investments, restructurings and discontinuing operations.

   e. There are no material changes in the contingent liabilities or contingent assets since the last annual balance sheet date.

   f. There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

   g. Except as otherwise disclosed separately and excluding those projects already in ALCO's pipeline as outlined in this Report, there are no other material commitments for capital expenditures since the last annual balance sheet date.

   h. Except as otherwise disclosed separately and mentioned in the analysis of financial risks in this Report, there are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There is no foreseen event that will cause a material change in the relationship between costs and revenues.

   i. There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

	Notes	**SEPTEMBER 30, 2020 (Unaudited)**	DECEMBER 31, 2019 (Audited)
ASSETS			
Cash and cash equivalents	4	**P 2,420,533,836**	P 407,214,384
Financial assets at fair value through profit or loss (FVPL)	5	**2,685,879,690**	772,186,717
Trade and other receivables	6	**688,044,043**	389,687,736
Contract Assets	7	**3,578,639,064**	3,250,482,689
Real estate for sale	8	**6,666,785,425**	5,410,062,969
Investment properties	9	**8,192,656,554**	7,280,000,267
Property and equipment	10	**282,648,762**	282,549,715
Creditable withholding taxes		**372,255,826**	338,105,363
Other assets	11	**1,544,561,017**	1,345,542,152
		P 26,432,004,217	P 19,475,831,992
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	12	**P 9,249,328,837**	P 6,925,381,746
Bonds payable	12	**2,956,254,606**	-
Accounts payable and other liabilities	13	**2,347,587,852**	2,488,916,877
Contract liabilities	7	**42,853,829**	32,179,674
Due to related parties	14	**1,933,534,287**	1,144,586,297
Net retirement liability	21	**106,887,426**	99,880,460
Net deferred tax liabilities	22	**1,567,073,591**	1,309,495,052
Total Liabilities		**18,203,520,428**	12,000,440,106
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	15	**999,757,136**	999,757,136
Additional paid-in capital	15	**3,008,959,878**	3,008,959,878
Retained earnings		**3,778,991,163**	3,161,789,766
Cumulative remeasurement losses on retirement liability - net of tax		**(207,724)**	(207,724)
Parent Company’s shares held by a subsidiary - at cost		**(12,500,000)**	(12,500,000)
		7,775,000,453	7,157,799,056
Non-controlling interests		**453,483,336**	317,592,830
Total Equity		**8,228,483,789**	7,475,391,886
		P 26,432,004,217	P 19,475,831,992

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020 AND 2019

	Notes	**SEPTEMBER 30, 2020 (Unaudited)**	SEPTEMBER 30, 2019 (Unaudited)
ASSETS			
Cash and cash equivalents	4	**P 2,420,533,836**	P 382,678,857
Financial assets at fair value through profit or loss (FVPL)	5	**2,685,879,690**	186,149,270
Trade and other receivables	6	**688,044,043**	348,894,035
Contract Assets	7	**3,578,639,064**	1,252,604,544
Real estate for sale	8	**6,666,785,425**	5,359,584,772
Investment properties	9	**8,192,656,554**	6,950,321,017
Property and equipment	10	**282,648,762**	271,868,245
Net deferred tax assets	22	**-**	46,461,777
Creditable withholding taxes		**372,255,826**	314,342,190
Other assets	11	**1,544,561,017**	1,148,668,588
		P 26,432,004,217	P 16,261,573,295
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	12	**P 9,249,328,837**	P 5,105,792,573
Bonds payable	12	**2,956,254,606**	-
Accounts payable and other liabilities	13	**2,347,587,852**	2,066,762,408
Contract liabilities	7	**42,853,829**	48,785,389
Due to related parties	14	**1,933,534,287**	1,007,586,278
Net retirement liability	21	**106,887,426**	58,095,964
Net deferred tax liabilities	22	**1,567,073,591**	1,114,184,671
Total Liabilities		**18,203,520,428**	9,401,207,283
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	15	**999,757,136**	999,757,136
Additional paid-in capital	15	**3,008,959,878**	3,008,959,878
Retained earnings		**3,778,991,163**	2,674,683,056
Cumulative remeasurement gains (losses) on retirement liability - net of tax		**(207,724)**	18,169,495
Parent Company’s shares held by a subsidiary - at cost		**(12,500,000)**	(12,500,000)
		7,775,000,453	6,689,069,565
Non-controlling interests		**453,483,336**	171,296,447
Total Equity		**8,228,483,789**	6,860,366,012
		P 26,432,004,217	P 16,261,573,295

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2020
AND FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	**SEPTEMBER 30, 2020 (Unaudited)**	DECEMBER 31, 2019 (Audited)
REVENUES	16	**P 1,463,539,596**	P 3,847,857,424
COST OF SALES AND SERVICES	17	**786,637,976**	2,145,739,457
GROSS INCOME		**676,901,620**	1,702,117,967
OPERATING EXPENSES	18	**433,813,140**	665,816,942
INCOME FROM OPERATIONS		**243,088,480**	1,036,301,025
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES		**908,735,306**	1,180,724,811
FINANCE COSTS	19	**(162,377,191)**	(124,839,604)
OTHER INCOME - net	20	**295,905,361**	31,106,679
INCOME BEFORE INCOME TAX		**1,285,351,956**	2,123,292,911
INCOME TAX EXPENSE	22	**315,798,913**	636,145,034
NET INCOME		**969,553,043**	1,487,147,877
COMPREHENSIVE LOSS		**-**	(18,377,219)
TOTAL COMPREHENSIVE INCOME		**P 969,553,043**	P 1,468,770,658
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**896,534,926**	1,187,016,033
Non-controlling interest		**73,018,117**	300,131,844
		969,553,043	1,487,147,877
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**896,534,926**	1,168,638,814
Non-controlling interest		**73,018,117**	300,131,844
		969,553,043	1,468,770,658
EARNINGS PER SHARE - Basic and Diluted	25	**P 0.1389**	P 0.1902

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

	Notes	**SEPTEMBER 30, 2020 (Unaudited)**	SEPTEMBER 30, 2019 (Unaudited)
REVENUES	16	**P 1,463,539,596**	P 1,490,392,620
COST OF SALES AND SERVICES	17	**786,637,976**	740,453,509
GROSS INCOME		**676,901,620**	749,939,111
OPERATING EXPENSES	18	**433,813,140**	442,730,445
INCOME FROM OPERATIONS		**243,088,480**	307,208,666
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES		**908,735,306**	901,017,579
FINANCE COSTS	19	**(162,377,191)**	(78,758,594)
OTHER INCOME - net	20	**295,905,361**	18,436,775
INCOME BEFORE INCOME TAX		**1,285,351,956**	1,147,904,426
INCOME TAX EXPENSE	22	**315,798,913**	346,707,642
NET INCOME		**969,553,043**	801,196,784
COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME		**P 969,553,043**	P 801,196,784
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**896,534,926**	647,361,323
Non-controlling interest		**73,018,117**	153,835,461
		969,553,043	801,196,784
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**896,534,926**	647,361,323
Non-controlling interest		**73,018,117**	153,835,461
		969,553,043	801,196,784
EARNINGS PER SHARE - Basic and Diluted	25	**P 0.1389**	P 0.0986

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	JULY 1 to SEPTEMBER 30 2020 (Unaudited)	JULY 1 to SEPTEMBER 30 2019 (Unaudited)
REVENUES	P 577,668,831	P 409,474,980
COST OF SALES AND SERVICES	315,821,942	188,494,009
GROSS INCOME	261,846,889	220,980,971
OPERATING EXPENSES	166,007,165	183,129,906
INCOME FROM OPERATIONS	95,839,724	37,851,065
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	-	281,247,517
FINANCE COSTS	(56,327,917)	(37,052,673)
OTHER INCOME - net	10,674,804	4,791,909
INCOME BEFORE INCOME TAX	50,186,611	286,837,818
INCOME TAX EXPENSE (BENEFIT)	(2,200,348)	42,429,678
NET INCOME	52,386,959	244,408,140
COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	P 52,386,959	P 244,408,140
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the Parent Company	20,069,429	201,070,277
Non-controlling interest	32,317,530	43,337,863
	52,386,959	244,408,140
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the Parent Company	20,069,429	201,070,277
Non-controlling interest	32,317,530	43,337,863
	52,386,959	244,408,140
EARNINGS PER SHARE - Basic and Diluted	P 0.1049	P 0.1419

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

	Note	**SEPTEMBER 30, 2020 (Unaudited)**	SEPTEMBER 30, 2019 (Unaudited)
CAPITAL STOCK			
Common - ₱0.18 par value			
Issued and outstanding	15	**P 957,257,136**	P 957,257,136
Preferred - ₱1.00 par value			
Balance at beginning of period		**42,500,000**	32,500,000
Issued and subscribed	15	**-**	10,000,000
		42,500,000	42,500,000
Balance at end of period		**999,757,136**	999,757,136
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of period		**3,008,959,878**	2,031,441,541
Issuance of preferred shares	15	**-**	990,000,000.00
Stock issuance costs	15	**-**	(12,481,663.00)
Balance at end of period		**3,008,959,878**	3,008,959,878
RETAINED EARNINGS			
Balance at beginning of period		**3,161,789,766**	2,214,144,875
Net income for the period		**896,534,926**	647,361,323
Dividends declared during the period	15	**(221,461,142)**	(186,823,142)
Increase in non-controlling interest		**(57,872,387)**	-
Balance at end of period		**3,778,991,163**	2,674,683,056
ACCUMULATED UNREALIZED ACTUARIAL GAINS			
Balance at beginning and end of period		**(207,724)**	18,169,495
PARENT COMPANY'S PREFFERED SHARES HELD BY A SUBSIDIARY - at cost		**(12,500,000)**	(12,500,000)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**7,775,000,453**	6,689,069,565
NON-CONTROLLING INTERESTS			
Balance at beginning of period		**317,592,830**	17,265,039
Increase in non-controlling interest		**62,872,389**	-
Effect of consolidation of Arcosouth Development Inc. (Arcosouth)			195,947
Net income for the period		**73,018,117**	153,835,461
Balance at end of period		**453,483,336**	171,296,447
TOTAL EQUITY		**P 8,228,483,789**	P 6,860,366,012

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

	Notes	**SEPTEMBER 30, 2020** (Unaudited)	SEPTEMBER 30, 2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P 1,285,351,956**	P 1,147,904,426
Adjustments for:			
Interest expense	19	**161,553,977**	78,430,360
Depreciation and amortization	18	**30,575,991**	18,970,701
Gain on change in FV of investment properties		**(908,735,306)**	(901,017,579)
Retirement expense	21	**7,006,966**	(7,993,034)
Realized holding gains	20	**(3,795,749)**	(9,377,262)
Unrealized holding (gains) loss	20	**(17,042,750)**	856,589
Unrealized forex loss	20	**3,735**	587,992
Interest income	20	**(4,547,055)**	(9,382,714)
Gain on sale of property and equipment	20	**73,601**	-
Operating income before working capital changes		**550,445,366**	318,979,479
Increases in:			
Trade and other receivables		**(298,356,307)**	(33,710,965)
Contract assets		**(328,156,375)**	(467,406,600)
Real estate for sale		**(1,256,722,456)**	(1,946,871,347)
Other assets		**(199,018,865)**	(221,790,067)
Increase (decrease) in:			
Contract liabilities		**10,674,155**	28,400,109
Accounts payable and other liabilities		**(146,891,790)**	410,914,395
Net cash used in operations		**(1,668,026,272)**	(1,911,484,996)
Interest paid		**(149,442,871)**	(75,842,406)
Interest received		**4,547,057**	9,382,714
Income tax paid		**(92,370,837)**	(96,531,909)
Net cash used in operating activities		**(1,905,292,923)**	(2,074,476,597)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of Financial assets at FVPL - net		**(1,892,854,474)**	(22,800,536)
Increase in Investment properties		**(3,920,981)**	(147,788,863)
Additions to Property and equipment	10	**(31,782,359)**	(53,385,991)
Proceeds from disposal of Property and equipment		**1,033,720**	-
Net cash used in investing activities		**(1,927,524,094)**	(223,975,390)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from:			
Loans Payable		**3,023,652,931**	1,238,752,442
Bonds Payable		**2,949,579,735**	-
Due to related parties		**788,947,990**	620,919,587
Issuance of preferred shares		**-**	987,518,337
Payment of loans payable		**(705,142,075)**	(305,523,925)
Payment of dividends		**(215,898,377)**	(186,823,142)
Net cash generated from financing activities		**5,841,140,204**	2,354,843,299
EFFECT OF CONSOLIDATION		**5,000,000**	195,947
NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**(3,735)**	(587,992)
NET INCREASE IN CASH & CASH EQUIVALENTS		**2,013,319,452**	55,999,267
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**407,214,384**	326,679,590
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**P 2,420,533,836**	P 382,678,857

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Corporate Information

Arthaland Corporation (the Parent Company or ALCO) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's common shares and Series B and C preferred shares are listed for trading in the Philippine Stock Exchange (PSE). The Parent Company is primarily engaged in real estate development and leasing.

The Parent Company is currently 37.94% owned by CPG Holdings, Inc. (CPG), a holding company incorporated in the Philippines, and 26.02% owned by AO Capital Holdings 1, Inc. (AOCH1), a holding company also incorporated in the Philippines.

In June 2019, the Parent Company made a follow-on offering of 10.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated Series C preferred shares at ₱1.00 par value a share at the issuance price of ₱100 a share.

In August 2019, the SEC approved the Merger of Savya Land Development Corporation (SLDC), a 98% owned subsidiary at the time of the merger, and Arcosouth Development, Inc. (Arcosouth) with SLDC as the surviving entity.

In October 2019, the Board of Directors (BOD) of ALCO approved the filing of a registration statement for the shelf registration of ₱6.0 billion fixed rate ASEAN green bonds (Bonds), and the offer and issuance of up to ₱3.0 billion initial tranche of the Bonds. The offer consisted of ₱2.0 billion Bonds, with an oversubscription option of up to ₱1.0 billion.

In January 2020, the SEC approved the shelf registration of ALCO's ₱6.0 billion fixed-rate ASEAN Green Bonds. The initial tranche of the Bonds shall have a term ending five (5) years from the issue date of February 6, 2020 (the "Issue Date"), or on February 6, 2025 (the "Maturity Date"), with a fixed interest rate of 6.3517% per annum and an early redemption option on the 3rd and 4th anniversary of the Issue Date. In relation to the offering, the oversubscription option was exercised in full.

The registered office and principal place of business of the Parent Company is located at 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City.

The Parent Company amended its Articles of Incorporation for its new registered office and principal place of business which was approved by the SEC on September 4, 2018.

Composition of the Group

The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred herein as "the Group"):

		Effective % of Ownership		
Subsidiary	Place of Incorporation	**2020**	2019	2018
Cazneau, Inc. (Cazneau)	Philippines	**100%**	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	**100%**	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	**100%**	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	**100%**	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	**100%**	100%	100%
Bhavana Properties, Inc. (Bhavana)	Philippines	**100%**	100%	-
Bhavya Properties, Inc. (Bhavya)	Philippines	**100%**	100%	-
Pradhana Land, Inc. (Pradhana)	Philippines	**100%**	100%	-

Subsidiary	Place of Incorporation	Effective % of Ownership **2020**	2019	2018
Cebu Lavana Land Corp. (CLLC)	Philippines	**60%**	60%	60%
Kashtha Holdings, Inc. (KHI)	Philippines	**60%**	100%	-
Savya Land Development Corporation (SLDC) *(subsidiary of KHI)*	Philippines	**59%**	98%	100%

All of the subsidiaries were established to engage primarily in real estate development, except for EPMI which is a property management company, MPI which is engaged in property leasing and KHI which is an investments holding company.

In 2019, the Parent Company subscribed to 100% shares of Bhavana, Bhavya, PLI and KHI.

In August 2019, ALCO and Mitsubishi Estate Company, Limited (MEC), a corporation duly organized and existing under the laws of Japan, have agreed to invest in, establish and maintain a joint venture company (the “JV Company”) to be owned 60% by ALCO and 40% by MEC which will (i) acquire and, thereafter, own and hold the 50% equity interest of ALCO in SLDC, thereby making the JV Company the direct 50% stockholder in SLDC, and (ii) acquire by assignment the shareholder’s advances made by ALCO to SLDC. On October 1, 2019, ALCO incorporated KHI as the JV Company.

In June 2020, the Parent Company sold 5,000,000 common shares of KHI, representing 40% of its entire outstanding capital stock, in favor of MEC which resulted to the reduction of ALCO’s ownership from 100% to 60%.

Major Projects

The Parent Company’s first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in Bonifacio Global City (BGC), Taguig City. Arya Residences is the first top-market condominium development in the Philippines to be awarded the US Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) program Gold certification and a 4-star rating from the Philippine Green Building Council’s (PHILGBC) Building for Ecologically Responsive Design Excellence (BERDE) program. The Arya Residences was completed on December 31, 2016.

In 2014, the Parent Company started the construction of Arthaland Century Pacific Tower (ACPT), ALCO’s flagship office project, which was set to be BGC’s landmark of sustainability. This 30-storey AAA-grade office building located along the prime 5th Avenue was designed by SOM New York, the same group that penned the One World Trade Center and Burj Khalifa in Dubai. ACPT received both LEED Platinum rating and BERDE 5-star certification, the highest and most prestigious categories in green building rating standards. In September 2019, it was certified under the Excellence in Design for Greater Efficiencies green building rating tool of the International Finance Corporation as the world’s first Zero Carbon building. ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise and was completed in the 1st quarter of 2019.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey office building in Barangay Lahug, Cebu City. The Cebu Exchange was pre-certified for LEED and is aiming to get the Gold certification. Similarly, the project is also targeting to secure a multiple star certification from the BERDE rating system of the PHILGBC. Besides being designed to be a world-class workplace, Cebu Exchange is envisioned to be a complete ecosystem, with four retail floors for the convenience of its occupants. With a gross floor area of 108,564 square meters (sqm), Cebu Exchange boasts of being the largest green building in the country. The construction of Cebu Exchange commenced in the second quarter of 2018 and is expected to be completed in 2021.

In 2018, Cazneau started the construction of the first phase of Sevina Park, an integrated community project in an eight-hectare property in Laguna. The initial development called Courtyard Hall, covering the first 4,000 sqm of the property, is a campus-type or dormitory-type residential community (see Note 10). This was completed in June 2019. Also, in June 2019, Cazneau launched the Garden Villas at Sevina Park. This project will be catering to start-ups, incubators, students, faculty population and starter families within the area. In June 2020, Sevina Park received LEED Platinum certification, the highest category in green building standard. The entire project is expected to be completed in phases within 2021 to 2024.

In December 2018, ZLDC acquired about 47.4% of a 2,018-sqm property located along Antonio Arnaiz Avenue within the Makati Central Business District. On this site, ZLDC, together with the party that has acquired the remaining 52.6% of the property, plans to develop a high-rise luxury residential property subject to the finalization of the terms of the joint venture.

In February 2019, SLDC launched the development of Savya Financial Center which composed of two towers with a gross floor area of 59,763 sqm and will be developed in Arca South, Taguig City. This project was pre-certified for LEED and is aiming to get the Gold certification. Similarly, the project is also targeting to secure a multiple star certification from the BERDE rating system of the PHILGBC. The North Tower (of the Savya Financial Tower) is expected to be completed in 2021 while the South Tower is expected to be completed in 2022.

In August 2019, Bhavya started acquiring a prime property located inside the Makati Central Business District. Bhavya intends to develop the property into a high-end residential condominium. The property is approximately 1,000 sqm and is expected to be developed into approximately 15,000 sqm of gross floor area and approximately 11,000 sqm of net saleable area.

In August 2019, Bhavana purchased a prime property with a total area of 2,245 sqm, located in Cebu Business Park at the Corner Samar Loop Road and Ayala, Hipodromo, Cebu City. The property will be developed into the first premier, dual certified, sustainable residential condominium in Cebu City. The project is expected to be launched in the 4th quarter of 2020.

Approval of the Interim Consolidated Financial Statements

The interim consolidated financial statements of the Group as at and for the nine (9) months ended September 30, 2020 were approved and authorized for issue by the Board of Directors (BOD) on October 21, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Preparation</u>

The interim consolidated financial statements as of September 30, 2020 and December 31, 2019 and for the nine months ended September 30, 2020 and 2019 have been prepared in compliance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2019.

Measurement Bases

The interim consolidated financial statements are presented in Philippine Peso, the Group's functional and presentation currency. All values are stated in absolute amounts, unless otherwise indicated.

The interim consolidated financial statements of the Group have been prepared on a historical cost basis, except for fair value through profit or loss (FVPL) and investment properties that are carried at fair values and net retirement liability which is carried at the present value of the defined benefit obligation at the end of the reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for assets and fair value consideration received in exchange

for incurring liability.
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 or 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 by the Group.

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

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

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Further information about assumptions made in measuring fair values is included in the following:

- Note 3 - Significant Accounting Judgments, Estimates and Assumptions
- Note 5 - Financial Assets at FVPL
- Note 9 - Investment Properties
- Note 26 - Fair Value Measurement

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting period during which the change occurred.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must now include 'an input and a substantive process that together significantly contribute to the ability to create an output'. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, Standard Interpretations Committee (SIC)-15, *Operating Leases-Incentives,* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

  At the commencement date of a lease, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to depreciate the right-of-use (ROU) asset.

  The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

  Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

The Group does not have non-cancellable lease commitments as at January 1, 2020. Moreover, the Group opted not to apply the requirements to recognize ROU and finance liability for leases with terms of one (1) year or less and leases for which the underlying asset is of low value. The Group acts as a lessor in other non-cancellable operating leases as at September 30, 2020. Accordingly, PFRS 16 has no significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an 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. Consequently, financial assets with termination provisions can now be measured at amortized cost [or, depending on the business model, at fair value through other comprehensive income (FVOCI)].

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations,
(iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments require entities to use PFRS 9 in accounting for its long-term interests (i.e., preference shares and long-term receivables or loans for which settlement is neither planned nor likely to occur in the foreseeable future) in an associate or joint venture in which the equity method under PAS 28 is not applied. The clarification is relevant because the expected credit loss (ECL) model under PFRS 9 shall be applied to these long-term interests.

- Annual Improvements to PFRS 2015 to 2017 Cycle:

  - Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments to PFRS 3, *Business Combinations*, clarify that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, *Joint Arrangements,* clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.

  - Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

- Amendments to PAS 23, *Borrowing Costs - Borrowing Costs Eligible for Capitalization* – The amendments clarify that an entity treats as part of its general borrowings any specific borrowings made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for intended use or sale are complete.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS did not have any material effect on the interim consolidated financial statements. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

Amended PFRS But Effectivity is Deferred

Relevant amended PFRS which have not been applied in preparing the consolidated financial statements as at September 30, 2020 are summarized below:

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

- SEC Memorandum Circular No. 14 Series of 2018, *Philippine Interpretations Committee (PIC) Q&A No. 2018-12 Implementation Issues Affecting the Real Estate Industry* – The circular provides relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of percentage of completion (POC), for a period of three (3) years. This deferral will only be applicable for real estate transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

- SEC Memorandum Circular No. 3, Series of 2018, *PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales* – 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). Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

- SEC Memorandum Circular No. 4, Series of 2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23 – Borrowing Cost) for Real Estate Industry* - The circular provides relief to the real estate industry by deferring the application of the IFRIC interpretations until December 31, 2020. Effective January 1, 2021, real estate companies will adopt the IFRIC Interpretations and any subsequent amendments thereto retrospectively or as SEC will later prescribe.

The adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements. Additional disclosures will be included in the notes to consolidated financial statements, as applicable.

<u>Basis of Consolidation</u>

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee affect its returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial assets at FVOCI depending on the level of influence retained.

Non-controlling interest represents the portion of net assets and profit or loss not held by the Parent Company and is presented separately in the Group's consolidated statements of comprehensive income and within equity in the Group's consolidated statements of financial position, separate from equity attributable to equity holders of the Parent Company.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

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

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of 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.

In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference 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.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

As at September 30, 2020 and December 31, 2019, the Group does not have financial assets at FVOCI and financial liabilities at FVPL.

Financial Assets at FVPL. Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these asset.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at September 30, 2020 and December 31, 2019, the Group classified its investments in money market fund under this category (see Note 5).

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at September 30, 2020 and December 31, 2019, the Group's cash and cash equivalents, receivables (excluding accrued rent under straight-line basis of accounting), contract assets, amounts held in escrow, deposits and investment in time deposits are classified under this category (see Notes 4, 6, 7, and 11).

Cash in banks are demand deposits with banks and earn interest at prevailing bank deposit rates. Meanwhile, cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value and which have a maturity of three (3) months or less at acquisition.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when 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 or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these 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 an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at September 30, 2020 and December 31, 2019, the Group's loans and bonds payable, accounts payable and other liabilities (excluding statutory payables, payable to buyers and advance rent), contract liabilities and due to related parties are classified under this category (see Notes 12, 13 and 14).

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets at Amortized Cost

The Group records an allowance for ECL 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 difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables and contract assets, the Group has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of the conditions at the reporting date, including time value of money, where appropriate.

For other financial assets measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;

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

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is 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, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Classification of Assets and Liabilities between Current and Noncurrent
The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to consolidated financial statements.

Current Assets. The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within 12 months after the reporting period; or
- The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Otherwise, the Group will classify all other assets as noncurrent.

Current Liabilities. The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within 12 months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Group will classify all other liabilities as noncurrent.

Cost to Obtain a Contract with a Customer
The Group recognizes an asset for the incremental cost of obtaining a contract with a customer if the Group expects to recover those costs. Otherwise, those costs are recognized as expense when incurred. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract such as, but not limited to, sales commissions paid to sales agents and nonrefundable direct taxes incurred in obtaining a contract.

Contract Balances

Contract Assets. A contract asset represents the Group's right to a consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than a passage of time. If the Group transferred goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for that earned consideration that is conditional. Contract assets are reclassified to receivables from sale of real estate upon completion of the performance obligation. Contract assets pertain to unbilled receivables from sale of office units which is computed based on POC.

Receivables from Sale of Real Estate. A receivable from sale of real estate represents the Group's right to a consideration that is unconditional. A right to a consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Contract Liabilities. A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received a consideration from the customer. If a customer pays a consideration before the Group transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Group performs under the contract.

Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Real Estate for Sale

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and costs of improving the properties up to the reporting date. Directly attributable costs include amounts paid to contractors, borrowing costs, planning and designing costs, costs of site preparation and construction overheads.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs to complete and the estimated costs to sell. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less an estimate of the time value of money to the date of completion.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. When 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.

Creditable Withholding Taxes (CWT)
CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. These are carried at cost less any impairment in value.

Investment Properties
Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

The Group uses fair value model for the accounting of its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The fair value of investment properties is determined using market data approach, income approach and cost approach by Asian Appraisal Company, Inc., a SEC-accredited real estate appraiser. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these consolidated financial statements, in order to avoid double counting, the fair value reported in the consolidated financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and minimum lease payments.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sale.

Investment properties are derecognized when either those 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 gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment losses.

The initial cost of property and equipment consists of the purchase price, including import duties, borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

Asset Type	Number of Years
Building and building improvements	50
Transportation and other equipment	3 to 5
Office equipment	3 to 5
Furniture and fixtures	3
Leasehold improvements	3 to 5 or lease term, whichever is shorter

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

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

Construction in progress is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and available for operational use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Other Assets

Other assets include advances for project development, input value-added tax (VAT), prepayments, amounts held in escrow, deposits, deferred input VAT, materials and supplies, and investment in time deposits.

Advances for project development. Advances for project development are recognized whenever the Group pays in advance for its purchase of goods or services. These are measured at transaction price less impairment in value, if any.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- where receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other assets" or "Accounts payable and other liabilities" accounts, respectively, in the consolidated statements of financial position.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Deferred Input VAT. In accordance with the Revenue Regulations (RR) No. 16-2005, as amended by RR. No. 13-2018, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as current assets. Otherwise these are classified as noncurrent assets.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Materials and Supplies. The Group recorded as assets several excess construction materials and supplies from the completed construction of its projects. Materials and supplies are stated at lower of cost and NRV.

Amounts held in escrow, deposits and investment in time deposits qualify as financial assets.

Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its net recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values 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 recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Payable to Buyers

Payable to buyers consist of amounts received by the Group from its tenants as reservation fee for lease or downpayments received from prospective buyers. These are recorded at face amount in the consolidated statements of financial position. These will be applied as security deposits upon execution of the lease contracts or against the total contract price of the real estate sale upon execution of contract to sell.

Advance Rent

Advance rent are initially recognized at the value of cash received, and will generally be applied as lease payments to the immediately succeeding months or in the last three (3) months of the lease term.

Capital Stock

Common Stock. Common stock is measured at par value for all shares issued.

Preferred Stock. The Group's preferred stocks are cumulative, nonvoting, nonparticipating and nonconvertible. Preferred stock is classified as equity if this is nonredeemable, or redeemable only at the Group's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred stock is classified as a liability if this is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Additional Paid-in Capital

Additional paid-in capital is the proceeds and/or fair value of considerations received in excess of par value of the subscribed capital stock. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax. Otherwise, these are recognized as expense in profit or loss.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Other Comprehensive Income (OCI)

Other components of equity comprise of items of income and expense that are not recognized in profit or loss for the year. OCI pertains to cumulative remeasurement gains (losses) on net retirement liability.

Parent Company's Shares Held by a Subsidiary

Shares of the Parent Company held by a subsidiary are carried at cost and are deducted from equity. No gain or loss is recognized on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. 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 to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Non-controlling Interests

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. These are within equity presented in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of income and consolidated statements of comprehensive income. Non-controlling interests consist of the amount of those interests at the date of original business combination and the non-controlling interests' share on changes in equity since the date of the business combination.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to common equity holders of the Parent Company by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends, stock split or reverse stock split declared.

Diluted EPS is computed in the same manner, adjusted for the effects of any potentially dilutive convertible securities.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer in an amount that reflects the consideration to which the Group expected to be entitled in exchange for those goods and services.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

A. Revenue from Contract with Customers

Revenue from Real Estate Sales. Revenue from the sale of completed real estate project is accounted for using the full accrual method in which revenue is recognized at a point in time when control is transferred to a customer. The Group transfers control of real estate for sale under
pre-completion contracts over time and, therefore, satisfies the performance obligations under the contract and recognizes revenue over time.

The Group considers a contract to sell as a valid revenue contract. The Group also assesses the probability that it will collect the consideration under the contract prior to recognizing revenue. This assessment is based on the customer's ability and intention to pay the amount of consideration when it is due. If any of the above criteria is not met, the deposit method is applied until all the conditions for recognizing revenue are met.

The Group recognizes revenue from real estate sales under pre-completion contracts based on POC using the input method in which revenue is recognized on the basis of costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

The Group opted to defer the application guidelines of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the computation of POC for a period of three (3) years.

Accordingly, the consideration is not adjusted for the effects of the time value of money, and the total cost incurred and total estimated cost to complete including the cost of land.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

Project Management Fees. Revenue is recognized in profit or loss when the related services are rendered.

B. Revenue from Other Sources

Leasing Operations. Leasing revenue consists of rent income and common use service area (CUSA) fees. Rent income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms, except for contingent rental income, which is recognized in the period that it arises. Tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, management is reasonably certain that the tenant will exercise that option. CUSA fees are recognized as income once earned. These are charged monthly and are based on the lessee's proportionate share on the common areas.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in profit or loss when the right to receive those amounts arises.

Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. Income from other sources is recognized when earned during the period.

<u>Cost and Expenses Recognition</u>

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of Real Estate Sales. Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units 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.

Cost of Leasing Operations. Cost of leasing operations, which constitute direct cost incurred in relation to the leasing of properties of the Group which includes ACPT, Cazneau's Dormitory Hall and MPI's commercial units, is recognized as expense when incurred.

Cost of Services. Cost of services, which constitute direct cost incurred in relation to personnel costs of project management services and EPMI's provision of property management services is recognized as expense when services are rendered.

Operating Expenses. Operating expenses constitute cost of administering the business and cost incurred to sell and market its products and services. These are recognized as incurred.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method.

<u>Leases</u>

a. Accounting Policies 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:

i. there is a change in contractual terms, other than a renewal or extension of the arrangement;

ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

iii. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

iv. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (i), (iii) or (iv) and at the date of renewal or extension period for scenario (ii).

The Group as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The Group as a Lessor. Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

b. Accounting Policies beginning January 1, 2019

The Group assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

i. the right to obtain substantially all of the economic benefits from use of the identified asset; and,

ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as a Lessor. Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Group has a funded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs.

Remeasurements pertaining to actuarial gains and losses and return on plan assets 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 in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The net retirement asset (liability) is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets against which the obligations are to be settled directly, adjusted for any effect of asset ceiling. The present value of the retirement obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. The asset ceiling is the present value of future economic benefits available in the form of refunds from the plan or reductions in future contribution to the plan.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Foreign Currency - Denominated Transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in profit or loss. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. 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 on all temporary differences 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, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforwards of unused MCIT and NOLCO can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

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 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 income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year 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.

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax relating to items recognized outside profit or loss is recognized under OCI.

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 deferred taxes relate to the same taxable entity and the same tax authority.

Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related parties in an economically comparable market.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the investee that gives them significant influence over the investee and close members of the family of any such individual.

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

The key management personnel of the Group are also considered to be related parties.

It is the Group's policy that all material related party transactions, either individually, or in aggregate over the year with the same related party, amounting to ten percent (10%) or higher of the Group's total assets based on its latest audited consolidated financial statements, shall be approved by at least two-thirds (2/3) vote of the BOD, with at least majority of the independent directors' voting to approve the transaction. In case that a majority of the independent directors' vote is not secured, the transaction may be ratified by the vote of the stockholders representing 2/3 of the outstanding capital stock. Moreover, there are no limits in the amount of related party transactions.

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation 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. 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 an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated statements of financial position when an inflow of economic benefits is probable.

Events After the Reporting Period

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of asset, liabilities, income and expenses. The accounting estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments

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

Determining Functional Currency. Based on management's assessment, the functional currency of the Group has been determined to be Philippine Peso, the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the operations of the Group.

Classifying Financial Instruments. The Group exercises judgment in classifying financial instruments in accordance with PFRS 9. The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the Group's business model and its contractual cash flow characteristics and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor 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. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has determined that by virtue of the Parent Company's majority ownership of voting rights in its subsidiaries as at September 30, 2020 and December 31, 2019, it has the ability to exercise control over these investees.

Recognizing Property of Arcosouth under Real Estate for Sale. In March 2018, the Parent Company and the Principal Stockholder of Arcosouth (collectively referred to as the Parties) entered into an agreement (the Agreement) to jointly develop the adjacent lots (the Property) of SLDC and Arcosouth aggregating 5,991 square meters located in Arca South, Taguig City. The Parties agreed, among others, (a) to have a 50:50 sharing between the Parties in the equity of SLDC; (b) to merge SLDC and Arcosouth into a single corporation, with SLDC as the surviving entity; (c) the Parent Company shall be responsible for day-to-day management of SLDC; (d) the Parent Company shall be entitled to appoint three out of five BOD members; (e) the Parent Company shall nominate the Chairman of SLDC's BOD and the stockholder of Arcosouth agreed to vote for the person nominated by the Parent Company; and (f) the Parent Company shall be entitled to appoint the President, Chief Finance Officer and Corporate Secretary of SLDC. Management assessed that the Group has control over the property of Arcosouth considering the rights arising from its contractual agreement with the shareholders of Arcosouth and the merger. Accordingly, the Group's consolidated financial statements include the property of Arcosouth as at September 30, 2020 and December 31, 2019.

The merger of SLDC and Arcosouth was approved on September 19, 2018 by the BOD and the stockholders of SLDC. The Merger was subsequently approved by the SEC on August 22, 2019.

Determining Revenue and Cost Recognition. Selecting an appropriate revenue recognition method for a particular real estate 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 completion of development.

The Group recognizes revenue over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group performance as the entity performs.

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group concluded that real estate for sale of office units of Cebu Exchange and Savya Financial Center is recognized over time. The Group also determined that input method is the appropriate method in measuring the POC of Cebu Exchange and Savya Financial Center. Under POC, the Group satisfies its performance obligation to deliver a portion of the property to the customer over time. The input method is based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Changes in estimates may affect the reported amounts of revenue, cost of real estate sales, contract assets and contract liabilities. On the other hand, revenue from sale of condominium units of Arya Residences is recognized at a point in time, when control is transferred.

Classifying Real Estate for Sale, Investment Properties and Property and Equipment. The Group determines whether a property qualifies as a real estate for sale, an investment property or an item of property and equipment. In making its judgment, the Group considers whether the property is held for sale in the ordinary course of business, held primarily to earn rentals or capital appreciation or both, or used for operations and administrative purposes by the Group.

Determining Highest and Best Use of Investment Properties. The Group determines the highest and best use of its investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Group has determined that the highest and best use of the investment properties is their current use.

Determining Lease Commitments - Group as Lessor. The Group determines the highest and best use of its investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Group has determined that the highest and best use of the investment properties is their current use.

Classifying Lease Commitments prior to January 1, 2019 - Group as a Lessee. The Group has entered into lease agreements as a lessee for its office space until October 2018. The Group has determined that the significant risks and rewards of ownership of these sites are not transferred to the Group under operating lease arrangements. Accordingly, these leases were accounted for as operating lease.

Classifying Lease Commitments beginning January 1, 2019 - Group as a Lessee. The Group has entered into lease agreements as a lessee. For these leases, the Group availed of the exemption for short-term leases with term of 12 months or less. Accordingly, lease payments on short-term leases were recognized as expense on a straight-line basis over the lease term.

Accounting Estimates and Assumptions

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

Recognizing Revenue and Cost of Real Estate Sales. The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost. Revenue and cost of sale of real estate of Cebu Exchange and Savya Financial Center recognized based on POC are measured principally based on the costs incurred up until the end of the reporting period at a proportion of total costs expected to be incurred.

Estimating Fair Value of Investment Properties. Investment properties are measured at fair values. The Group works closely with external qualified valuers who performed the valuation using appropriate valuation techniques. The appraiser used a valuation technique based on comparable market data adjusted as necessary to reflect the specific assets' location and condition and, estimated expected future cash flows, yields, occupancy rates, discount rates, replacement costs and remaining economic life. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 9 to the consolidated financial statements.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the investment properties and the level of the fair value hierarchy.

Determining NRV of Real Estate for Sale. Real estate for sale is stated at lower of cost or NRV. NRV for completed real estate for sale is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate assets under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Assessing ECL on Trade Receivables and Contract Assets. The Group initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a receivable is past due. The Group then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information on the basis of current observable data to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates if forecasted economic conditions such as gross domestic product are expected to deteriorate which can lead to increased number of defaults in the real estate industry. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the correlation between historical default rates and forecasted economic conditions is a significant estimate. Accordingly, the provision for ECL of receivable from real estate sales is sensitive to changes in assumptions about forecasted economic conditions.

The Group's exposure to risk of default is mitigated by the requirement that title to real estate for sale is transferred to the buyer only upon full payment of the contract price.

Assessing ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions;
- actual or expected significant adverse changes in the operating results of the borrower; and
- significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

Determining Fair Value of Investment in Money Market Fund. The Group classifies its investment in money market fund as financial asset at FVPL in the consolidated statements of financial position. The Group determined the fair value of investment in money market fund using available market prices in active markets for identical assets (Level 1). Any changes in the fair value of this financial asset would affect profit or loss.

Estimating Useful Lives of Property and Equipment. The Group reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property and equipment.

Assessing Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Group considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Group, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Group whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost 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 continuing use of an asset and from its disposal at the end of its useful life.

Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

No provision for impairment loss on nonfinancial assets was recognized in 2020 and 2019.

Estimating Retirement Expense. 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. Those assumptions are described in Note 21 to the consolidated financial statements and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect net retirement liability.

Assessing Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of unused MCIT and NOLCO is based on the projected taxable income in the following periods. Based on the projection, not all future deductible temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

Assessing Provisions and Contingencies. The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	September 2020	December 2019	September 2019
Cash on hand	**140,000**	80,000	80,000
Cash in bank	**1,036,888,585**	344,377,842	318,390,618
Cash equivalents	**1,383,505,251**	62,756,542	64,208,239
	2,420,533,836	407,214,384	382,678,857

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations. Cash equivalents are made for varying periods up to three (3) months or less and earn interest at the respective prevailing short-term investment rates.

5. FINANCIAL ASSETS AT FVPL

Financial assets at FVPL amounting to ₱2,685.9 million and ₱772.2 million as at September 30, 2020 and December 31, 2019, respectively, represent units of participation in a money market fund held by the Group for short-term use and working capital purposes.

Financial assets at FVPL include unrealized gains amounting to ₱17.04 million and ₱0.86 million for the nine months ended September 30, 2020 and 2019, respectively, and included as part of "Other income" account in the interim consolidated statements of comprehensive income. Realized gain on sale of financial assets at FVPL amounted to ₱3.80 million and ₱9.38 million for the nine months ended September 30, 2020 and 2019, respectively (see Note 20).

The fair value of financial assets at FVPL is measured using Level 1 of the fair value hierarchy with significant directly observable inputs.

6. TRADE AND OTHER RECEIVABLES

This account consists of:

	September 2020	December 2019	September 2019
Trade receivables from:			
Sale of real estate	**393,356,177**	167,966,505	108,683,566
Leasing	**70,826,131**	45,036,252	36,604,683
Accrued rent receivables	**93,873,613**	99,004,111	92,660,291
Due from related parties	**56,934,566**	53,841,382	46,897,775
Advances to employees	**12,834,720**	7,971,657	9,591,408
Other receivables	**60,587,128**	16,236,121	54,824,604
	688,412,335	390,056,028	349,262,327
Allowance for impairment losses	**(368,292)**	(368,292)	(368,292)
	688,044,043	389,687,736	348,894,035

The aging analysis of trade and other receivables are shown below:

		Past Due but Not Impaired				
	Neither Past Due nor Impaired	Within 6 months	7 months to 1 year	More than 1 year	Past due and impaired	**TOTAL**
Trade and other receivables	440,121,441	157,224,532	54,244,388	36,085,390	368,292	**688,044,043**

Trade receivables from sale of real estate pertain to receivables from sale of office units of Cebu Exchange and Savya Financial Center that were already billed. These receivables are noninterest-bearing and generally collectible in monthly installments over a maximum period of three (3) years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Trade receivables from leasing operations are noninterest-bearing, unsecured and collectible within seven (7) days.

Accrued rent receivable pertains to the difference between rental income recognized using straight-line method of accounting and rental payments based on the terms of the lease contracts.

Advances to employees represent salary and other loans granted to employees which are noninterest-bearing in nature and collectible through salary deductions.

Others mainly include accrued project management fees which will be billed and collected within 30 days and other charges and advances which are noninterest-bearing and collectible on demand.

The carrying amount of the receivables is considered a reasonable approximation of fair value. All of the Group's receivables have been reviewed for indicators of impairment. As of September 30, 2020, and December 31, 2019, no receivables were found to be impaired. Thus, management believes that the entire carrying amount of the receivable portfolio is fully recoverable.

7. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group's contract assets and contract liabilities are as follows:

	September 2020	December 2019	September 2019
Contract assets	**3,578,639,064**	3,250,482,689	1,252,604,544
Contract liabilities	**42,853,829**	32,179,674	48,785,389

	September 2020	December 2019	September 2019
Net contract assets (liabilities)	**3,535,785,235**	3,218,303,015	1,203,819,155

Contract assets pertain to receivables from the sale of office units of Cebu Exchange and Savya Financial Center representing the excess of cumulative revenues from real estate sales over total collections received from the buyers as at September 30, 2020 and December 31, 2019. These amounts will be billed and collected in accordance with the agreed payment terms with the buyers, which is normally over five (5) years.

Contract liabilities pertain to downpayments received from buyers of Cebu Exchange and Savya Financial Center at the inception of the contracts in which the related revenue is not yet recognized as at September 30, 2020 and December 31, 2019.

8. REAL ESTATE FOR SALE

This account consists of:

	September 2020	December 2019	September 2019
Raw land	**947,034,368**	914,882,768	920,181,060
Assets under construction	**4,643,140,791**	3,510,260,784	3,664,462,433
Condominium units for development	**1,076,610,266**	984,919,417	774,941,279
	6,666,785,425	5,410,062,969	5,359,584,772

Raw Land

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale.

In 2019, the Group purchased from a local bank a parcel of land with a total area of 2,245 sqm, more or less, located in Corner Samar Loop Road and Ayala, Hipodromo, Cebu City, for ₱673.5 million, excluding other directly attributable costs. This will be developed to a residential building with condominium units for sale.

In 2019 and 2018, the Group transferred portion of land and Courtyard Hall of Cazneau from "Real estate for sale" account to "Investment properties" account aggregating ₱22.5 million and ₱216.9 million, respectively, because of the change in the intended use of the property as approved by the BOD.

Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at September 30, 2020, this account includes the land and development costs of Cebu Exchange, Savya Financial Center and Sevina Park (see Note 1).

Condominium Units for Development

Condominium units for development pertain to condominium units acquired in San Lorenzo Village and Legazpi Village in Makati City. These units are intended for future development and sale.

9. INVESTMENT PROPERTIES

This account consists of:

	September 2020	December 2019	September 2019
ACPT	**5,588,487,951**	4,676,027,308	4,426,263,726
Arya Residences:			
Commercial units	**1,194,379,000**	1,194,379,000	1,194,590,704

	September 2020	December 2019	September 2019
Parking slots	**184,984,000**	184,984,000	184,984,000
Raw Land:			
UPHI's property	**603,819,003**	603,819,003	597,183,629
Parent company's Batangas and Tagaytay property	**147,761,771**	147,761,771	146,295,713
Cazneau's property	**291,822,499**	291,822,499	235,750,762
Courtyard Hall	**181,402,330**	181,206,686	165,252,483
	8,192,656,554	7,280,000,267	6,950,321,017

ACPT

ACPT is an office building that is used for leasing operations (see Note 1).

Arya Residences' Commercial Units and Parking Slots

These are retail establishments of MPI and parking slots of ALCO and MPI in Arya Residences which are used for leasing operations.

Raw Land and Courtyard Hall

UPHI's raw land, with fair value amounting to ₱603.8 million as at September 30, 2020 and December 31, 2019, has a total area of 33 hectares and are located at Barangay Gonzalo Bontog, Calamba City and Barangay Calabuso, Tagaytay City. Portion of the UPHI's raw land is currently under expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. In a decision dated December 16, 2019, the court dismissed the complaint for being premature considering both cities claim territorial jurisdiction over the property but there is no pending territorial dispute between them. UPHI filed a Motion for Partial Reconsideration of the foregoing Decision. As at September 30, 2020 and December 31, 2019, management assessed that the potential effect of these cases on the Group's consolidated financial statements is not significant.

In 2019 and 2018, the Group transferred portion of land and Courtyard Hall of Cazneau from "Real estate for sale" account to "Investment properties" account aggregating ₱22.5 million and ₱216.9 million, respectively, because of the change in the intended use of the property as approved by the BOD (see Note 8).

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating ₱147.8 million as September 30, 2020 and December 31, 2019.

Fair Value Measurement

Details of the valuation techniques used in measuring fair values of investment properties classified under Levels 2 and 3 of the fair value hierarchy are as follows:

Class of Property	Valuation Technique	Significant Inputs	**September 2020**	December 2019
ACPT	Discounted cash flow approach (DCF)	Rental rate for an office unit per square meter (sq.m.)	**₱1,500**	₱1,500
		Rental rate per parking slot	**₱6,000**	₱6,500
		Discount rate	**8.76%**	8.25%
		Vacancy rate	**0 - 5%**	5-10%
		Escalation rate	**7%**	5%
		Calculated no. of net leasable area (total sq. m.)	**18,059**	18,059

Class of Property	Valuation Technique	Significant Inputs	**September 2020**	December 2019
Arya Residences:				
Commercial units	Discounted cash flow approach	Rental rate per square meter (sq.m.)	**₱3,000**	₱3,000
		Rent escalation rate per annum (p.a.)	**7%**	7%
		Discount rate	**8.74%**	8.74%
		Vacancy rate	**2%**	2%
Parking slots	Discounted cash flow approach	Rental rate per slot	**₱6,500**	₱6,500
		Rent escalation rate p.a.	**7%**	7%
		Discount rate	**8.74%**	8.74%
		Vacancy rate	**2%**	2%
Raw Land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sq. m.	**₱1,800**	₱1,800
Cazneau's Laguna Properties	Market data approach	Price per sq. m.	**₱11,200**	₱11,200
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sq. m.	**₱1,339**	₱1,339
Courtyard Hall	Depreciated replacement method	Estimated replacement cost	**₱143,117,000**	₱143,117,000
		Remaining economic life	**38 years**	38 years

Details of the valuation techniques used in measuring fair values of investment properties are as follows:

Discounted Cash Flow Approach
Under the DCF approach, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's estimated useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF approach involves the projection of a series of cash flows on a real property interest. An appropriate, market-derived discount rate is applied to projected cash flow series to establish the present value of the income stream associated with the investment property.

In 2019, the Group changed its method of valuation in ACPT from land development approach to DCF approach after its completion on the first quarter of 2019.

Market Data Approach
Market data approach involves the comparison of the UPHI's Laguna and Tagaytay properties, Cazneau's Laguna properties and ALCO's Batangas and Tagaytay properties to those that are more or less located within the vicinity of the appraised properties and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

Depreciated Replacement Cost Method
Depreciated replacement cost method is used to estimate valuation of Courtyard Hall by computing for the replacement cost of the assets and applying appropriate adjustments for physical deterioration and functional and economic obsolescence.

10. PROPERTY AND EQUIPMENT

The balances and movements of this account consist of:

	September 2020					
	Building and Building Improvements	**Transportation Equipment**	**Office Equipment**	**Furniture and Fixtures**	**Leasehold Improvements**	**Total**
Cost						
Balance at beginning of year	**236,920,371**	**66,718,966**	**57,040,879**	**15,255,826**	**78,500**	**376,014,542**
Additions	**16,525,352**	**8,925,388**	**4,572,409**	**1,759,211**	**-**	**31,782,359**
Disposals	**-**	**(5,303,543)**	**-**	**-**	**-**	**(5,303,543)**
Reclassification	**-**	**-**	**-**	**-**	**-**	**-**
Balance at end of year	**253,445,723**	**70,340,811**	**61,613,288**	**17,015,037**	**78,500**	**402,493,359**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**7,367,916**	**27,813,327**	**43,469,345**	**14,785,891**	**28,348**	**93,464,827**
Depreciation and amortization	**15,891,019**	**9,965,827**	**3,007,475**	**1,692,046**	**19,625**	**30,575,991**
Disposals	**-**	**(4,196,221)**	**-**	**-**	**-**	**(4,196,221)**
Balance at end of year	**23,258,935**	**33,582,932**	**46,476,820**	**16,477,937**	**47,973**	**119,844,596**
Carrying Amount	**230,186,789**	**36,757,879**	**15,136,468**	**537,100**	**30,527**	**282,648,762**

	December 2019						
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Cost							
Balance at beginning of year	26,917,349	54,833,018	49,932,812	8,790,764	78,500	177,062,444	317,614,887
Additions	32,940,578	25,290,412	7,160,880	6,465,062	–	–	71,856,932
Disposals	–	(13,404,464)	(52,813)	–	–	–	(13,457,277)
Reclassification	177,062,444	–	–	–	–	(177,062,444)	–
Balance at end of year	236,920,371	66,718,966	57,040,879	15,255,826	78,500	–	376,014,542
Accumulated Depreciation and Amortization							
Balance at beginning of year	4,256,821	28,199,886	39,820,930	7,882,114	2,181	–	80,161,932
Depreciation and amortization	3,111,095	13,017,905	3,663,085	6,903,777	26,167	–	26,722,029
Disposals	–	(13,404,464)	(14,670)	–	–	–	(13,419,134)
Balance at end of year	7,367,916	27,813,327	43,469,345	14,785,891	28,348	–	93,464,827
Carrying Amount	229,552,455	38,905,639	13,571,534	469,935	50,152	–	282,549,715

	September 2019					
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Construction in Progress	Total
Cost						
Balance at beginning of year	26,995,849	54,833,018	49,932,812	8,790,764	177,062,444	317,614,887
Additions	21,001,376	16,848,103	10,574,782	4,961,730	–	53,385,991
Disposals	–	(3,994,353)	–	–	–	-3,994,353
Reclassification	177,062,444	–	–	–	(177,062,444)	–
Balance at end of year	225,059,669	67,686,768	60,507,594	13,752,494	–	367,006,525
Accumulated Depreciation and Amortization						
Balance at beginning of year	4,259,002	28,199,886	39,820,930	7,882,114	–	80,161,932
Depreciation and amortization	6,085,208	9,550,680	2,728,958	605,855	–	18,970,701
Disposals	–	(3,994,353)	–	–	–	-3,994,353
Balance at end of year	10,344,210	33,756,213	42,549,888	8,487,969	–	95,138,280
Carrying Amount	214,715,459	33,930,555	17,957,706	5,264,525	–	271,868,245

Depreciation and amortization on property and equipment were included as part of "Operating expenses" account in the interim consolidated statements of comprehensive income.

11. OTHER ASSETS

This account consists of:

	September 2020	December 2019	September 2019
Advances for project development	**602,362,852**	630,789,051	427,749,660
Input VAT	**540,498,168**	401,576,866	333,111,531
Prepayments	**186,496,729**	159,853,520	183,908,043

	September 2020	December 2019	September 2019
Amounts held in escrow	**112,703,950**	85,402,876	78,255,992
Deposits	**75,997,139**	62,270,945	98,826,342
Deferred input VAT	**25,160,270**	4,129,087	4,973,213
Materials and supplies	**1,341,909**	1,519,807	1,519,807
Investment in time deposits	**-**	-	20,324,000
	1,544,561,017	1,345,542,152	1,148,668,588

Advances for project development pertain to downpayments made to contractors for the construction of the Group's real estate projects. These advances are applied against contractors' progress billings.

Prepayments consist of rent, taxes, insurance and other expenses which are amortized over a year, and of prepaid commissions, amortized over the lease term for leasing and based on percentage of completion for selling.

Amounts held in escrow represents the debt service account required under existing loans with certain banks and the amount of which is equivalent to a quarterly principal and interest amortization. The outstanding loan balance under OLSA amounted to ₱1,882.7 million and ₱1,957.5 million as at September 30, 2020 and December 31, 2019, respectively, while the outstanding loan balance of MTL amounted to ₱1,179.5 million as at September 30, 2020 and ₱1,082.7 million as at December 31, 2019 (see Note 12).

Deposits pertain to utility deposits, deposits for professional services, and guarantee deposits for the construction of the Group's real estate projects. Deposits are refunded upon completion of the documentary requirements.

Materials and supplies are the excess construction materials and supplies from the construction of Arya Residences.

Investment in time deposits pertains to US Dollar-denominated time deposits with terms of two (2) years and fixed interest rates ranging from 1.75% to 2.50% per annum (p.a.). These time deposits are subject to a holding period of six (6) months from the date of issuance. In case of early retirement, the investment will earn interest based on regular deposit rates.

12. LOANS AND BONDS PAYABLE

Loans Payable

This account consists of:

	September 2020	December 2019	September 2019
Local creditor banks	**9,164,604,867**	6,840,657,776	5,021,068,603
Private funders	**84,723,970**	84,723,970	84,723,970
	9,249,328,837	6,925,381,746	5,105,792,573

<u>Local creditor banks</u>
Loans from local banks consist of interest-bearing secured and unsecured loans obtained to finance project development and carries interest rates ranging from 5.00% to 8.00% per annum (p.a.) in 2020 and 5.12% to 7.15% p.a. in 2019.

In 2015, the Parent Company entered into an OLSA with credit line of ₱2,000.0 million, to partially finance the cost of the construction and development of the ACPT. The loan is supported by 21 promissory notes. The Parent Company incurred debt issue cost amounting to ₱34.5 million in 2015. In addition, this OLSA provides the following:

- Loan outstanding balance is secured by first ranking and continuing real estate mortgage over present and future real estate assets in relation to the lot and building for the ACPT;
- A security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements.
- Parent Company is required to maintain the following debt to equity ratio:

Period	Debt to Equity Ratio
2015	2.00 : 1.00
2016 to 2018	1.75 : 1.00
2019 to 2025	1.50 : 1.00

The outstanding loan balance under OLSA amounted to ₱1,882.7 million and ₱1,957.5 million as at September 30, 2020 and December 31, 2019, respectively.

Debt to equity ratio is calculated as total outstanding interest-bearing loans over total equity. The Parent Company's debt to equity ratio is as follows:

	September 2020	December 2019	September 2019
Total interest-bearing liabilities	**7,512,108,425**	3,290,331,059	2,494,546,040
Total equity	**6,485,445,495**	5,921,524,670	5,846,921,220
	1.16:1.00	0.56:1.00	0.43:1.00

The Parent Company is compliant with the required debt to equity ratio as at September 30, 2020, December 31, 2019, and September 30, 2019.

In 2017, CLLC entered into an OLSA for a credit line of ₱2,350.0 million with a local bank, to partially finance the development and construction of Cebu Exchange. Loan proceeds will be received in several drawdowns within a period of three (3) years after initial drawdown.

The outstanding balance of this loan amounted to ₱2,014.0 million and ₱2,166.7 million as at September 30, 2020 and December 31, 2019, respectively.

In 2018, SLDC entered into MTL for a credit line of ₱1,440.0 million with a local bank, to partially finance the acquisition and development of its land in Taguig City to repay advances from shareholders.

The outstanding balance of this loan amounted to ₱1,179.5 million and ₱1,082.7 million as at September 30, 2020 and December 31, 2019, respectively.

In February 2020, the Parent Company entered into a Term Loan Agreement for a credit line of P1.0 billion with a local bank, for the purpose of funding of eligible Green projects.

The outstanding balance of this loan as at September 30, 2020 amounted to ₱988.4 million, net of debt issuance costs.

In the Agreement, the Company is required to maintain the following financial ratios based on the audited consolidated financial statements, with testing to be done on an annual basis, for as long as the Loan remain outstanding:

- Debt-to-Equity Ratio of not more than 2:1; and
- Current Ratio of not less than 1.5:1.

Private funders
Loans from private funders represent unsecured borrowings with maturities of 180 days to 3 years from the reporting date and bear interest rate of 3.5% in 2020 and 2019.

Bonds Payable

Details of this account is as follows:

	September 2020
Balance at beginning of the year	**3,000,000,000**
Less: unamortized debt issue cost	**43,745,394**
	2,956,254,606

In January 2020, the SEC approved the shelf registration of ALCO's ₱6.0 billion fixed-rate ASEAN Green Bonds. The initial tranche of the Bonds shall have a term ending five (5) years from the issue date of February 6, 2020 (the "Issue Date"), or on February 6, 2025 (the "Maturity Date"), with a fixed interest rate of 6.3517% per annum and an early redemption option on the 3rd and 4th anniversary of the Issue Date. Issued on the same month was the initial tranche of the ASEAN Green Bonds amounting to ₱2.0 billion, with an oversubscription of ₱1.0 billion, which was exercised in full. The Company plans to use this to finance the acquisition and development of eligible Green projects.

The Company is required to maintain the following financial ratios based on the audited consolidated financial statements, with testing to be done on an annual basis, for as long as the bonds remain outstanding:

- Debt-to-Equity Ratio of not more than 2:1; and
- Current Ratio of not less than 1.5:1.

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	September 2020	December 2019	September 2019
Accounts payable	**469,621,621**	758,865,215	370,916,332
Deferred output VAT	**749,510,576**	743,384,411	404,975,024
Accrued expenses	**395,158,606**	236,582,106	122,131,803
Retention payable	**360,176,344**	405,458,152	367,046,603
Payable to buyers	**161,836,123**	113,447,252	436,283,328
Security deposits	**118,110,669**	101,494,140	108,749,213
Advance rent	**47,945,689**	73,093,100	65,472,149
Withholding taxes payable	**24,485,236**	21,507,169	32,669,196
Dividends payable	**5,562,765**	5,943,585	5,746,558
Income tax payable	**5,774,394**	24,378,558	6,437,058
Due to Arcosouth's stockholders	**-**	-	137,000,000
Others	**9,405,829**	4,763,189	9,335,144
	2,347,587,852	2,488,916,877	2,066,762,408

Accounts payable, which are noninterest-bearing and are normally settled within 30 days to one year, consist mainly of liabilities to contractors and suppliers.

Deferred output VAT pertains to VAT from sales of property on installments. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the sale will be considered under installment, in which case VAT will be paid based on collections.

Retention payable, which will be released after completion and satisfaction of the terms and conditions of the construction contract, pertains to amount retained by the Group from the contractors' progress billings for the real estate projects of the Group.

Accrued expenses are expected to be settled within the next 12 months. Other accrued expenses pertain to management and professional fees, utilities, commissions, advertising and other expenses.

Payable to buyers include reservation fees and collections received from prospective lessees or buyers, which are and to be applied as security deposits upon execution of lease contracts or against the total contract price of the real estate sale upon execution of contract to sell.

Security deposits pertain to the deposits made by the lessees of the ACPT, Arya commercial units, and Courtyard Hall which may be applied to unsettled balances or refunded at the end of the lease term.

Advance rent pertains to the payments made in advance by the tenants to be applied to their rent payable in the immediately succeeding months or in the last three (3) months of the lease term.

Due to Arcosouth's stockholders represents the liability related to the property of Arcosouth in Arca South, Taguig City recognized under "Real estate for sale" account. Due to Arcosouth's stockholders is noninterest-bearing and payable on demand. Upon merger, this was later on transferred to Due to related parties (Note 14).

Other payables pertain to liabilities to SSS, PhilHealth and HDMF and dividend payables.

14. RELATED PARTY TRANSACTIONS

The company engages, in the normal course of business, in various transactions with its related parties which include entities under common control, key management and others.

<u>Advances to and from Subsidiaries</u>
The Company grants advances to its subsidiaries for working capital requirements and capital expenditures.

<u>Advances to Officers and Employees</u>
The Company grants advances to its officers and employees. These are funds given to officers and employees to carry out their functions in the Company subject to liquidation.

<u>Advances for Project Development</u>
In addition to the advances from the Parent Company, CLLC obtained from Rock & Salt B.V. for its real estate projects. All outstanding balances are unguaranteed, unsecured, bearing interest at 3.5% per annum and payable on demand and in cash.

Moreover, SLDC received advances from related parties and expenses paid by related parties on behalf of SLDC. All outstanding balances are unsecured, noninterest-bearing, and payable on demand and in cash.

KHI also obtained advances from MEC for SLDC's real estate projects. All outstanding balances are unsecured, bearing interest at 3.5% per annum and payable upon fulfillment of the following events (1) completion and handover of SLDC – Tower 1; (2) full repayment of ALCO Shareholder Advances.

The table summarizes the transactions with related parties for Advances for Project Development:

	Nature of Relationship	Nature of Transaction	Amount of Transactions		Outstanding Balance	
			September 2020	December 2019	**September 2020**	December 2019
Due to Related Parties						
Help Holdings, Inc.	Non-controlling interest	Advances for project development	**428,947,989**	632,919,597	**1,061,867,586**	632,919,597
Rock & Salt B.V.	Non-controlling interest	Advances for project development	**165,000,000**	125,000,009	**676,666,700**	511,666,700
Mitsubishi Estate Company, Limited	Non-controlling interest	Advances for project development	**195,000,000**	-	**195,000,000**	-
			788,947,989	757,919,606	**1,933,534,286**	1,144,586,297

Management Fees

Management fees are recognized for management consultancy, development and administrative services provided by CPG. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

Key Management Personnel

The compensation of key management personnel are as follows:

	September 2020 (Nine Months)	December 2019 (Twelve Months)	September 2019 (Nine Months)
Salaries and other employee benefits	**85,002,918**	83,779,871	79,558,649
Retirement benefits expense	**-**	15,727,562	-
	85,002,918	99,507,433	79,558,649

15. EQUITY

The details of the Parent Company’s number of common and preferred shares follow:

	September 2020		December 2019		September 2019	
	Preferred	**Common**	Preferred	Common	Preferred	Common
Authorized	**50,000,000**	**16,368,095,199**	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	**₱1.00**	**₱0.18**	₱1.00	₱0.18	₱1.00	₱0.18
Issued and outstanding	**42,500,000**	**5,318,095,199**	42,500,000	5,318,095,199	32,500,000	5,318,095,199

Preferred Shares

The rollforward analysis of the outstanding preferred shares is as follows:

	September 2020		December 2019		September 2019	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
Issued and outstanding						
Balance at beginning of year	**42,500,000**	**₱42,500,000**	32,500,000	₱32,500,000	32,500,000	₱32,500,000
Issuance during the year	**-**	**-**	10,000,000	10,000,000	10,000,000	10,000,000
Balance at end of year	**42,500,000**	**42,500,000**	42,500,000	42,500,000	42,500,000	42,500,000
Parent Company’s shares held by a subsidiary	**(12,500,000)**	**(12,500,000)**	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)
	30,000,000	**₱30,000,000**	30,000,000	₱30,000,000	30,000,000	₱30,000,000

ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the “Series A” preferred shares) to MPI and 30.0 million preferred shares (the “Series B” and “Series C” preferred shares) which are likewise cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated, among other conditions, to the public at the issuance price of ₱100 a share at ₱1.00 par value a share. MPI acquired the 12.5 million Series A preferred shares at a ₱1.00 par value a share.

In 2019, the Parent Company recognized additional paid-in capital related to the issuance of Series C preferred shares amounting to ₱990.0 million arising from the excess of the proceeds over par value of the shares sold. Total cost incurred in the offering and issuance of Series C preferred shares to the public amounted to ₱14.2 million consisting of ₱1.7 million which was charged to profit or loss and ₱12.5 million which was recognized as reduction to additional paid-in capital.

Dividend Declaration

The Parent's Company's BOD and stockholders approved the following cash dividends to ALCO's stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
August 5, 2020	September 4, 2020	September 27, 2020	17,319,000	Series C preferred shares	1.73
August 5, 2020	August 19, 2020	September 6, 2020	35,229,000	Series B preferred shares	1.76
June 26, 2020	July 10, 2020	July 31, 2020	63,817,142	Common shares	0.012
May 6, 2020	June 4, 2020	June 27, 2020	17,319,000	Series C preferred shares	1.73
May 6, 2020	May 21, 2020	June 6, 2020	35,229,000	Series B preferred shares	1.76
January 29, 2020	March 6, 2020	March 27, 2020	17,319,000	Series C preferred shares	1.73
January 29, 2020	February 14, 2020	March 6, 2020	35,229,000	Series B preferred shares	1.76
			₱ 221,461,142		

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
October 23, 2019	November 29, 2019	December 27, 2019	₱17,319,000	Series C preferred shares	₱1.73
October 23, 2019	November 15, 2019	December 6, 2019	35,229,000	Series B preferred shares	1.76
August 7, 2019	September 6, 2019	September 27, 2019	17,319,000	Series C preferred shares	1.73
August 7, 2019	August 22, 2019	September 6, 2019	35,229,000	Series B preferred shares	1.76
June 21, 2019	July 8, 2019	July 31, 2019	63,817,142	Common shares	0.012
May 8, 2019	May 22, 2019	June 6, 2019	35,229,000	Series B preferred shares	1.76
February 21, 2019	March 1, 2019	March 6, 2019	35,229,000	Series B preferred shares	1.76
			₱239,371,142		

Use of Proceeds

Series B

The estimated gross proceeds from the offer of Series B preferred shares amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million and will accrue to the Group.

The following table shows the breakdown of the use of the proceeds:

In millions

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursements			Balance for Disbursement
			As of 06/30/20	For Q3 2020	As of 09/30/20	
Cebu Exchange Project	53.6	53.6	53.6		53.6	-
Binan Laguna Project	331.9	331.9	262.1	24.1	286.2	45.7
Makati CBD Residential Project	371.6	371.6	371.6		371.6	-
Partial Repayment of Loans	330.0	330.0	330.0		330.0	-
South of Metro Manila Project	822.4	822.4	822.4		822.4	-
General Corporate Purposes	62.3	63.4	63.4		63.4	-
TOTAL	1,971.8	1,972.9	1,903.1	24.1	1,927.2	45.7

Series C

The estimated gross proceeds from the offer of Series C preferred shares amounted to ₱984.1 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱985.3 million. All proceeds were fully utilized as of December 31, 2019.

The following table shows the breakdown of the use of the proceeds:

In millions

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2019	Balance for Disbursement as at December 31, 2019
Cebu Residential Project	300.0	300.0	300.0	–
Makati CBD Residential Project 2	530.0	530.0	530.0	–
General corporate purpose	154.1	155.3	155.3	–
Total	**984.1**	**985.3**	**985.3**	**–**

Employee Stock Option Plan

On December 17, 2018, the Board of Directors of the Company approved granting options equivalent to not more than 90.0 million common shares to its qualified employees per the Corporation's Stock Option Plan (the "Plan") as approved on October 16, 2009. The Stock Option and Compensation Committee pegged the price the Option is to be exercised at the five-day volume weighted average price per share beginning December 17, 2018, or until 21 December 2018, for ₱0.85 per share. The number of options granted and issued to qualified employees amounted to 55.4 million.

On March 25, 2020, the price of the options granted as abovementioned was changed to ₱0.50 per share.

During the annual meeting on June 26, 2020, the stockholders approved the 2020 Stock Option Plan subject to the approval of the SEC.

16. REVENUES

The account consists of:

	September 2020 (Nine Months)	December 2019 (Twelve Months)	September 2019 (Nine Months)
Real estate sales of:			
Cebu Exchange	**964,693,897**	2,870,054,489	1,256,542,001
Savya Financial Center	**216,185,397**	645,749,539	-
Leasing revenue	**274,533,164**	321,918,256	226,405,250
Project Management fees	**8,127,138**	10,135,140	7,445,369
	1,463,539,596	3,847,857,424	1,490,392,620

Leasing revenue pertains to rent income and CUSA earned from various lease contracts of the Parent Company in ACPT, commercial units of MPI in Arya Residences and dormitory units in Courtyard Hall, in which rent income is recognized on a straight-line basis.

Project management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation. The service contract has a term of seven (7) years commencing on December 1, 2014 for the management and maintenance of all common areas of Arya Residences.

17. COST OF SALES AND SERVICES

The account consists of:

	September 2020 (Nine Months)	December 2019 (Twelve Months)	September 2019 (Nine Months)
Cost of real estate sales	**695,848,176**	2,037,976,792	697,367,345
Cost of leasing operations	**83,514,432**	100,539,773	32,202,784
Cost of services	**7,275,368**	7,222,892	10,883,380
	786,637,976	2,145,739,457	740,453,509

18. OPERATING EXPENSES

Details of operating expenses by nature are as follows:

	September 2020 (Nine Months)	December 2019 (Twelve Months)	September 2019 (Nine Months)
Personnel costs	**120,759,524**	191,303,427	118,473,195
Commissions	**102,785,382**	131,899,678	46,713,267
Advertising	**62,803,704**	124,110,551	83,050,981
Taxes and licenses	**32,879,160**	30,047,582	68,288,763
Depreciation and amortization	**30,575,991**	26,722,029	18,970,701
Management and professional fees	**30,321,326**	64,516,070	44,427,015
Communication and office expenses	**18,330,950**	29,116,455	21,410,110
Insurance	**10,838,890**	15,788,365	12,048,499
Transportation and travel	**5,214,978**	24,498,653	10,519,103
Rental	**2,550,264**	1,659,167	1,147,631
Utilities	**2,500,685**	5,002,052	4,934,632
Repairs and maintenance	**2,372,960**	12,799,877	5,040,295
Representation	**1,125,020**	1,377,793	3,295,774
Others	**10,754,306**	6,975,243	4,410,479
	433,813,140	665,816,942	442,730,445

19. FINANCE COSTS

Finance costs relate to the following:

	September 2020 (Nine Months)	December 2019 (Twelve Months)	September 2019 (Nine Months)
Interest expense	**161,553,977**	124,339,961	78,430,360
Bank charges	**823,214**	499,643	328,234
	162,377,191	124,839,604	78,758,594

20. OTHER INCOME – NET

This account consists of:

	September 2020 (Nine Months)	December 2019 (Twelve Months)	September 2019 (Nine Months)
Gain on sale of shares of stock	**270,000,000**	-	-
Unrealized holding gains (loss) on financial assets at FVPL	**17,042,750**	(617,582)	(856,589)
Interest income	**4,547,055**	13,489,356	9,382,714
Realized gain on disposals of financial assets at FVPL	**3,795,749**	16,784,004	9,377,262
Unrealized foreign exchange losses	**(3,735)**	(605,121)	(587,992)
Gain (loss) on sale of property and equipment	**(73,601)**	322,744	-
Forfeited collections	**-**	178,571	-
Others	**597,143**	1,554,707	1,121,380
	295,905,361	31,106,679	18,436,775

21. RETIREMENT LIABILITY

The Parent Company has a funded and non-contributory defined benefit retirement plan covering all of its qualified employees.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The new retirement plan provides a retirement benefit ranging from 100% to 150% of salary for every year of credit service. Accordingly, this plan amendment changed the benefits payable under the plan, which resulted in the recognition of past service cost for the year.

Movements in the present value of retirement liability are as follows:

	September 2020	December 2019	September 2019
Balance at beginning of period	**99,880,460**	66,088,998	66,088,998
Retirement expense:			
Current service cost	**7,006,966**	18,130,347	7,006,966
Interest cost	**-**	4,411,614	-
Past service cost	**-**	-	-
Remeasurement loss	**-**	26,253,170	-
Contribution to retirement plan assets	**-**	(15,003,669)	(15,000,000)
Balance at end of period	**106,887,426**	99,880,460	58,095,964

22. INCOME TAXES

The components of income tax expense are as follows:

	September 2020	December 2019	September 2019
Reported in Profit or Loss			
Current income tax expense:			
RCIT	**6,017,166**	66,966,595	29,809,074
MCIT	**7,928,170**	5,619,419	4,271,668

	September 2020	December 2019	September 2019
Final taxes	**42,543,056**	5,533,420	4,064,458
Gross income tax (GIT)	**1,250,139**	3,678,373	3,864,366
	57,738,531	81,797,807	42,009,566
Deferred income tax expense	**258,060,382**	554,347,227	304,698,076
	315,798,913	636,145,034	346,707,642

Reported in OCI			
Deferred tax benefit related to remeasurement losses on net retirement liability	**-**	7,875,951	-

Deferred Tax Assets and Deferred Tax Liabilities

The components of the Group's recognized deferred tax assets and deferred tax liabilities are as follows:

	September 2020	December 2019	September 2019
Deferred tax assets:			
NOLCO	**140,637,210**	62,261,706	42,861,131
Retirement liability	**32,066,228**	29,964,138	17,428,789
Advance rent	**11,376,322**	11,841,153	10,402,417
Excess MCIT over RCIT	**13,733,828**	5,805,659	4,324,144
Unrealized foreign exchange loss	**181,536**	181,536	49,001
Allowance for impairment losses	**110,488**	110,488	110,488
	198,105,612	110,164,680	75,175,970
Deferred tax liabilities:			
Cumulative gain on change in fair value of investment properties	**1,399,960,628**	1,127,340,036	1,043,427,867
Excess of financial over taxable gross profit	**300,794,209**	237,134,847	50,832,775
Accrued rent receivable	**17,805,071**	17,155,013	14,618,476
Depreciation of investment properties	**23,400,225**	14,624,431	11,347,304
Transfer of fair value to property and equipment	**13,006,689**	13,208,866	12,947,838
Capitalized debt issue costs	**10,041,262**	10,196,539	9,575,430
Unrealized foreign exchange gains	**171,119**	-	149,174
	1,765,179,203	1,419,659,732	1,142,898,864
Net deferred tax liabilities	**1,567,073,591**	1,309,495,052	1,067,722,894

The reconciliation between the income tax expense based on statutory income tax rate and effective income tax rate reported in the consolidated statements of comprehensive income is as follows:

	September 2020	December 2019	September 2019
Income tax computed at statutory tax rate	**385,605,587**	636,987,873	344,371,328
Add (deduct) tax effects of:			
Nondeductible expenses and nontaxable income	**(8,949,092)**	30,197,169	35,019,529
Income subject to GIT	**(16,570,896)**	(28,497,641)	(27,023,196)
Change in unrecognized deferred tax assets	**2,418,042**	1,998,894	(613,504)
Stock issuance costs	**-**	(3,744,499)	(3,744,499)
Expired NOLCO	**-**	1,579,881	-
Interest income and realized/unrealized gains at FVPL - subjected to final tax	**(46,704,728)**	(2,518,301)	(1,302,016)
Expired MCIT	**-**	141,658	-

	September 2020	December 2019	September 2019
	315,798,913	636,145,034	346,707,642

PEZA Registration
ACPT is registered with the PEZA as an Ecozone Facilities Enterprise (see Note 1). The scope of its registered activity is limited to development, operation and maintenance of an economic zone.

Under the PEZA Registration Agreement, ACPT is entitled to:

- 5% GIT, in lieu of all national and local taxes; and

- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities or activities.

Any income from activities of ACPT outside the PEZA-registered activities is subject to RCIT.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash in banks, cash equivalents, financial assets at FVPL, receivables (excluding accrued rent receivable under straight-line basis of accounting), contract assets, amounts held in escrow, deposits, investment in time deposits, loans and bonds payable and, accounts payable and other liabilities (except statutory payables, payable to buyers and advance rent) and due to related parties.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Group's exposure to foreign currency risk is minimal, as it does not enter into significant transactions in currencies other than its functional currency.

Credit Risk
The Group's exposure to credit risk arises from the failure of counterparty to fulfill its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables, contract assets and other financial assets at amortized cost. The carrying amounts of financial assets at amortized cost represent its maximum credit exposure.

Trade Receivables and Contract Assets
Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Trade receivables from lease are closely monitored on aging of the account.

As at September 30, 2020 and December 31, 2019, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables and contract assets.

Other Financial Assets at Amortized Cost
The Group's other financial assets at amortized cost are mostly composed of cash in banks, cash equivalents, amounts held in escrow and investment in time deposits. The Group limits its exposure to credit risk by investing only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For deposits, credit risk is low since the Group only transacts with reputable companies and individuals with respect to this financial asset.

It is the Group's policy to measure ECL on the above 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. When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions;
- Actual or expected significant adverse changes in the operating results of the borrower; and
- Significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

Financial Assets at FVPL
The Group is also exposed to credit risk in relation to its investments in money market fund that is measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

Liquidity Risk
Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flows from operations.

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans and bonds payable to local banks are subject to fixed interest rates and are exposed to fair value interest rate risk. The re-pricing of these instruments is done on annual intervals.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's consolidated net income.

Impact of COVID-19

The varying levels of community quarantine that have been enforced in the different parts of the country since its initial imposition on March 16, 2020 have created significant impact to business in general. Industries considered as non-essential have been ordered closed, travel restrictions were implemented, and large areas or communities were locked down.

In spite of the difficulties posed by these challenges, the Group has been agile and resilient enough to adopt to the "new normal" the situation has created. It has developed and executed a business continuity protocol which has allowed the Group to continue functioning and operating except in areas where no alternative means, given existing circumstances, are readily available.

To date, management is monitoring all the ongoing COVID–19 related developments to assess, anticipate, and develop appropriate business strategies moving forward.

24. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	September 2020	December 2019	September 2019
Total liabilities	**18,203,520,428**	12,000,440,106	9,401,207,283
Total equity	**8,228,483,789**	7,475,391,886	6,860,366,012
Debt-to-equity ratio	**2.21:1**	1.61:1	1.37:1

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

25. EARNINGS PER SHARE

Basic and diluted earnings (loss) per share are computed as follows:

	September 2020	December 2019	September 2019
Net income attributable to equity holders of the Parent Company	**896,534,926**	1,187,016,033	647,361,323
Less: Dividends declared to Series B and Series C Preferred Shares	**(157,644,000)**	(175,554,000)	(123,006,000)
	738,890,926	1,011,462,033	524,355,323
Divided by weighted average number of outstanding common shares	**5,318,095,199**	5,318,095,199	5,318,095,199
	0.1389	0.1902	0.0986

Diluted earnings per share equals the basic earnings per share as the Parent Company does not have any dilutive potential common shares at the end of each of the three periods presented.

26. FAIR VALUE MEASUREMENT

The following table presents the carrying amounts and fair values of the Group's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

		September 2020		
		Fair Value		
	Carrying Amount	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets measured at fair value -				
Financial assets at FVPL	**2,685,879,690**	**2,685,879,690**	**-**	**-**
Investment properties	**8,192,656,554**	**-**	**781,628,027**	**7,411,028,527**
Financial assets at amortized cost -				
Deposits	**75,997,139**	**-**	**-**	**75,997,139**
	10,954,533,383	**2,685,879,690**	**781,628,027**	**7,487,025,666**
Liability for which fair value is disclosed -				
Loans and Bonds payable	**12,205,583,443**	**-**	**-**	**12,120,859,473**

		December 2019		
		Fair Value		
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value -				
Financial assets at FVPL	772,186,717	772,186,717	–	–
Investment properties	7,280,000,267	–	781,628,027	6,498,372,240
Financial assets at amortized cost -				
Deposits	62,270,945	–	–	62,400,650
	8,114,457,929	772,186,717	781,628,027	6,560,772,890
Liability for which fair value is disclosed -				
Loans payable	6,925,381,746	–	–	7,248,318,862

		September 2019		
		Fair Value		
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value -				
Financial assets at FVPL	186,149,270	186,149,270	-	-
Investment properties	6,950,321,017	-	742,553,790	6,207,767,227
Financial assets at amortized cost -				
Deposits	98,826,342	-	-	98,826,342
	7,235,296,629	186,149,270	742,553,790	6,306,593,569
Liability for which fair value is disclosed -				
Loans payable	5,105,792,573	-	-	5,021,068,603

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values as at September 30, 2020, December 31, 2019 and September 2019:

	September 2020	December 2019	September 2019
Financial assets:			
Cash and cash equivalents*	**2,420,393,836**	407,134,384	382,678,857
Receivables**	**594,170,430**	290,683,625	348,894,035
Contract assets	**3,578,639,064**	3,250,482,689	1,252,604,544
Amounts held in escrow	**112,703,950**	85,402,876	78,255,992
Investment in time deposits	**-**	-	20,324,000
	6,705,907,280	4,033,703,574	2,082,757,428
Financial liabilities:			
Accounts payable and other liabilities***	**1,358,035,833**	1,276,524,281	2,066,762,408
Due to related parties	**1,933,534,287**	1,144,586,297	1,007,586,278
	3,291,570,120	2,421,110,578	3,074,348,686

**Excludes cash on hand amounting to ₱140,000 as at September 30, 2020 and ₱80,000 as at December 31, 2019 and September 30, 2019.*
***Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱93.9 million, ₱99.0 million and ₱92.6.0 million as at September 30, 2020, December 31, 2019 and September 30, 2019, respectively.*
****Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱989.6 million, ₱975.8 million and ₱945.8 million as at September 30, 2020, December 31, 2019 and September 30, 2019, respectively.*

27. FINANCIAL RATIOS

	SEPT 2020	DEC 2019	SEPT 2019
Current/Liquidity Ratio (Current Assets over Current Liabilities)	**2.18:1**	1.94:1	2.91:1
Solvency Ratio (Net income before depreciation over total liabilities)	**0.05:1**	0.13:1	0.09:1
Debt-to-equity Ratio (Total liability over total equity)	**2.21:1**	1.61:1	1.37:1
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	**1.48:1**	0.93:1	0.74:1
Asset-to-equity Ratio (Total assets over total equity)	**3.21:1**	2.61:1	2.37:1
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	**8.96:1**	18.08:1	15.64:1
Profitability Ratio (Net income over total equity)	**0.12:1**	0.20:1	0.10:1

December 2019 ratio is based on full year income while September 2020 and September 2019 ratios are based on nine-month income.

28. EVENTS AFTER THE REPORTING PERIOD

Declaration of Cash Dividends

The Parent Company's BOD approved and declared the following cash dividends:

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series C preferred shares	October 21, 2020	December 4, 2020	December 27, 2020	₱17,319,000	₱1.73
Series B preferred shares	October 21, 2020	November 13, 2020	December 6, 2020	35,229,000	1.76

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at September 30, 2020.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL POSITION
SEPTEMBER 2020 vs SEPTEMBER 2019

	SEPT 30, 2020	SEPT 30, 2019	% Change
Cash and cash equivalents	**P 2,420,533,836**	P 382,678,857	533%
Financial assets at fair value through profit or loss (FVPL)	**2,685,879,690**	186,149,270	1343%
Trade and other receivables	**688,044,043**	348,894,035	97%
Contract assets	**3,578,639,064**	1,252,604,544	186%
Real estate for sale	**6,666,785,425**	5,359,584,772	24%
Investment properties	**8,192,656,554**	6,950,321,017	18%
Property and equipment	**282,648,762**	271,868,245	4%
Net deferred tax assets	**-**	46,461,777	-100%
Creditable withholding tax	**372,255,826**	314,342,190	18%
Other assets	**1,544,561,017**	1,148,668,588	34%
Total Assets	**26,432,004,217**	16,261,573,295	63%
Loans payable	**9,249,328,837**	5,105,792,573	81%
Bonds Payable	**2,956,254,606**	-	100%
Accounts payable and other liabilities	**2,347,587,852**	2,066,762,408	14%
Contract liabilities	**42,853,829**	48,785,389	-12%
Due to related parties	**1,933,534,287**	1,007,586,278	92%
Retirement liability	**106,887,426**	58,095,964	84%
Net deferred tax liabilities	**1,567,073,591**	1,114,184,671	41%
Total Liabilities	**18,203,520,428**	9,401,207,283	94%
Equity attributable to equity holders of the Parent Company			
Capital stock	**999,757,136**	999,757,136	0%
Additional paid-in capital	**3,008,959,878**	3,008,959,878	0%
Retained earnings	**3,778,991,163**	2,674,683,056	41%
Cumulative remeasurement gains (losses) on retirement liability - net of tax	**(207,724)**	18,169,495	-101%
Parent Company's shares held by a subsidiary	**(12,500,000)**	(12,500,000)	0%
	7,775,000,453	6,689,069,565	16%
Non-controlling interests	**453,483,336**	171,296,447	165%
Total Equity	**8,228,483,789**	6,860,366,012	20%
Total Liabilities and Equity	**P 26,432,004,217**	P 16,261,573,295	63%

The Company's total resources as of September 30, 2020 increased by 63% to ₱26.4 billion from September 30, 2019 level of ₱16.3 billion due to the following:

533% Increase in Cash and Cash Equivalents
The increase was accounted for by inflows from issuance of ASEAN Green bonds, loan proceeds and sales collections, net of outflows attributed to payments of loans and operational and construction related disbursements.

1343% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)
The increase was accounted for by portions of the ASEAN Green bond as well as loan proceeds that were invested in money market placements.

97% Increase in Trade and Other Receivables
The increase was largely due to the revenues recognized from the sale of CebEx offices and Savya offices starting last quarter of 2019, and receivables from ACPT tenants.

186% Increase in Contract Assets
The increase pertains to the above revenue recognition from CebEx and Savya offices, in which there was an excess of cumulative revenues from real estate sales over total collections received from the buyers.

24% Increase in Real Estate for Sale
The increase was mainly due to the additional construction costs incurred for ongoing projects and acquisition of properties for development in Makati and Cebu.

18% Increase in Investment Properties
The increase was attributable to the appraisal gain of various investment properties.

100% Decrease in Net Deferred Tax Assets
The decrease was due to realization of net income in CLLC resulting to the full utilization of its NOLCO.

18% Increase in Creditable Withholding Tax
The increase was due to increase in taxes withheld on the additional collections from buyers of CebEx offices, ACPT tenants and project management fees.

34% Increase in Other Assets
The increase was mainly due to Input VAT payments and advances for project development.

81% Increase in Loans Payable
The increase was largely due to the availment of term loan to finance eligible Green projects and additional drawdowns from various bank facilities, availed to partly fund the Company's working capital and project financing requirements.

100% Increase in Bonds Payable
This pertains to the ASEAN Green Bonds, net of debt issuance costs, issued in the first quarter of 2020 to be used in the acquisition and development of eligible Green projects.

14% Increase in Accounts Payable and other Liabilities
The increase was largely due to additional payables to contractors/ suppliers for ongoing projects and increase in output VAT for the revenue recognized from CebEx and Savya offices.

12% Decrease in Contract liabilities
The decrease was due to the recognition of revenue related to the collections received from buyers of CebEx offices.

92% Increase in Due to Related Parties
This pertains to advances made by shareholders of CLLC, SLDC and KHI.

84% Increase in Retirement Liability
The increase was due to the additional retirement expense recognized for the period and remeasurement loss recognized, net of contributions, in December 2019.

41% Increase in Net Deferred Tax Liabilities
The increase was largely due to the deferred tax liabilities attributable to the gain on change in fair value of investment properties.

41% Increase in Retained Earnings
The increase was due to net income for the period, net of dividends declared and increase in NCI.

101% Decrease in Cumulative Remeasurement Gains (Losses) on Retirement Liability - Net of Tax
The decrease was due to cumulative remeasurement losses recognized in December 2019, as mentioned under Retirement Liability.

165% Increase in Non-Controlling Interests
The increase was due to the recognition of NCI's share in the net income of CLLC and SLDC, as a result of ALCO's sale of 40% of its shares in KHI to a new investor in June 2020.

FINANCIAL RATIOS
September 2020 vs September 2019

	SEPT 30, 2020	SEPT 30, 2019	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	**2.18:1**	2.91:1	-25%
Solvency Ratio (Net income before depreciation over total liabilities)	**0.05:1**	0.09:1	-44%
Debt-to-equity Ratio (Total liability over total equity)	**2.21:1**	1.37:1	61%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	**1.48:1**	0.74:1	100%
Asset-to-equity Ratio (Total assets over total equity)	**3.21:1**	2.37:1	35%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	**8.96:1**	15.64:1	-43%
Profitability Ratio (Net income over total equity)	**0.12:1**	0.10:1	20%

FINANCIAL POSITION
September 2020 vs December 2019

	SEPT 30, 2020	DEC 31, 2019	% Change
Cash and cash equivalents	**P 2,420,533,836**	P 407,214,384	494%
Financial assets at fair value through profit or loss (FVPL)	**2,685,879,690**	772,186,717	248%
Trade and other receivables	**688,044,043**	389,687,736	77%
Contract Assets	**3,578,639,064**	3,250,482,689	10%
Real estate for sale	**6,666,785,425**	5,410,062,969	23%
Investment properties	**8,192,656,554**	7,280,000,267	13%
Property and equipment	**282,648,762**	282,549,715	0%
Creditable withholding tax	**372,255,826**	338,105,363	10%
Other Assets	**1,544,561,017**	1,345,542,152	15%
Total Assets	**26,432,004,217**	19,475,831,992	36%
Liabilities			

	SEPT 30, 2020	DEC 31, 2019	% Change
Loans payable	**9,249,328,837**	6,925,381,746	34%
Bonds payable	**2,956,254,606**	-	100%
Accounts payable and other liabilities	**2,347,587,852**	2,488,916,877	-6%
Contract liabilities	**42,853,829**	32,179,674	33%
Due to related parties	**1,933,534,287**	1,144,586,297	69%
Retirement liability	**106,887,426**	99,880,460	7%
Net deferred tax liabilities	**1,567,073,591**	1,309,495,052	20%
Total Liabilities	**18,203,520,428**	12,000,440,106	52%
Equity attributable to equity holders of the Parent Company			
Capital stock	**999,757,136**	999,757,136	0%
Additional paid-in capital	**3,008,959,878**	3,008,959,878	0%
Retained earnings	**3,778,991,163**	3,161,789,766	20%
Cumulative remeasurement gains (losses) on retirement liability - net of tax	**(207,724)**	(207,724)	0%
Parent Company’s shares held by a subsidiary	**(12,500,000)**	(12,500,000)	0%
	7,775,000,453	7,157,799,056	9%
Non-controlling interests	**453,483,336**	317,592,830	43%
Total Equity	**8,228,483,789**	7,475,391,886	10%
Total Liabilities and Equity	**P 26,432,004,217**	P 19,475,831,992	36%

The Company’s total resources increased by 36% from ₱19.5 billion in December 31,2019 to ₱26.4 billion as of September 30, 2020, due to the following:

494% Increase in Cash and Cash Equivalents
The increase was accounted for by inflows from issuance of ASEAN Green bonds and loan proceeds, net of outflows attributed to payments of loans and operational and construction related disbursements.

248% Increase in Financial assets at fair value through profit or loss
The increase was accounted for by portions of the ASEAN Green bonds as well as loan proceeds that were invested in money market placements.

77% Increase in Trade and Other Receivables
The increase was due to the revenue recognition from the sale of CebEx and Savya offices and additional receivables from ACPT tenants.

10% Increase in Contract Assets
The increase pertains to the revenue recognition from CebEx and Savya offices, in which there was an excess of cumulative revenues from real estate sales over total collections received from the buyers.

23% Increase in Real Estate for Sale
The increase was mainly due to the additional construction costs incurred during the period for ongoing projects.

13% Increase in Investment Properties
The increase was mainly due to the additional fair value gain recognized for ACPT property.

10% Increase in Creditable Withholding Tax
The increase was due to increase in taxes withheld on the additional collections from buyers of CebEx offices, ACPT tenants and project management fees.

15% Increase in Other Assets
The increase was mainly due to Input VAT payments and prepaid commissions related to the pre-selling activities of CebEx offices and Sevina Park Villas.

34% Increase in Loans Payable
The increase was largely due to the availment of term loan to finance eligible Green projects and additional drawdowns from various bank facilities, availed to partly fund the Company's working capital and project financing requirements.

100% Increase in Bonds Payable
This pertains to the issuance of ASEAN Green Bonds, net of debt issuance costs, to be used in the acquisition and development of eligible Green projects.

6% Decrease in Accounts Payable and Other Liabilities
The net decrease was largely due to payments made to contractors/ suppliers for ongoing projects.

33% Increase in Contract Liabilities
The increase pertains to collections received from buyers of Savya offices, in which the related revenue is not yet recognized.

69% Increase in Due to Related Parties
This pertains to additional advances made by stockholders of SLDC, CLLC and KHI.

7% Increase in Retirement Liability
The increase was due to the additional provisions of retirement expense for the period.

20% Increase in Net Deferred Tax Liabilities
The increase was mainly due to the deferred tax liabilities attributable to the gain on change in fair value of investment properties.

20% Increase in Retained Earnings
The increase was due to net income for the period, net of dividends declared and increase in NCI.

43% Increase in Non-Controlling Interests
The increase was due to the recognition of NCI's share in the net income of CLLC and SLDC, as a result of ALCO's sale of 40% of its shares in KHI to a new investor in June 2020.

FINANCIAL RATIOS
September 2020 vs December 2019

	SEPT 30, 2020	DEC 31, 2019	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	**2.18:1**	1.94:1	12%
Solvency Ratio (Net income before depreciation over total liabilities)	**0.05:1**	0.13:1	-62%
Debt-to-equity Ratio (Total liability over total equity)	**2.21:1**	1.61:1	37%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	**1.48:1**	0.93:1	59%
Asset-to-equity Ratio (Total assets over total equity)	**3.21:1**	2.37:1	23%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	**8.96:1**	18.08:1	-50%

Profitability Ratio (Net income over total equity)	**0.12:1**	0.20:1	-40%

RESULTS OF OPERATIONS
September 2020 vs September 2019

	SEPT 30, 2020	SEPT 30, 2019	% Change
Revenues	**P 1,463,539,596**	P 1,490,392,620	-2%
Cost of sales and services	**786,637,976**	740,453,509	6%
GROSS INCOME	**676,901,620**	749,939,111	-10%
Administrative expenses	**268,224,054**	312,966,197	-14%
Selling and marketing expenses	**165,589,086**	129,764,248	28%
OPERATING EXPENSES	**433,813,140**	442,730,445	-2%
OPERATING INCOME	**243,088,480**	307,208,666	21%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	**(162,377,191)**	(78,758,594)	106%
Gain on change in FV of investment properties	**908,735,306**	901,017,579	1%
Other income – net	**295,905,361**	18,436,775	1505%
INCOME BEFORE INCOME TAX	**1,285,351,956**	1,147,904,426	12%
TAX EXPENSE	**315,798,913**	346,707,642	-9%
NET INCOME	**P 969,553,043**	P 801,196,784	21%
NET INCOME ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	**896,534,926**	647,361,323	38%
Non-controlling interest	**73,018,117**	153,835,461	53%
	P 969,553,043	P 801,196,784	21%

From a ₱801.2 million reported net income in the third quarter of 2019, the company recognized a ₱969.6 million net income for the same period in 2020.

The company's decrease in revenue was basically attributed to Real Estate Sales. Due to the Community Quarantine implemented both in NCR and Cebu starting March 2020, construction activities at the company's projects at both locations were halted which brought down the projects' reported percentage of completion for the third quarter of 2020 resulting to a lower revenue being recognized compared with the same period in 2019. On the other hand, revenues from the other segments particularly leasing and other operations grew by 21% to ₱274.5 million in September 2020 compared to ₱226.4 million in September 2019.

6% Increase in Cost of Sales and Services
The net increase was mainly attributable to the increase in cost of leasing operations of ACPT.

14% Decrease in Administrative Expenses
The decrease was attributable to less taxes, legal and professional fees, travel, utilities, repairs, and other operating expenses which had gone down as a result of the work from home arrangement that was adopted by the company during community quarantine period.

28% Increase in Selling and Marketing Expenses
The net increase was mainly attributable to commissions recognized on booked sales of CebEx and Savya offices.

106% Increase in Finance Costs
The increase was accounted for by the interest from the ACPT OLSA loan which was no longer capitalized upon completion of building in 2019, and non-capitalizable interests from ASEAN Green Bonds and other working capital loans that were availed by the company from the last quarter of 2019 to September 2020.

1505% Increase in Other Income - Net
The increase was mainly attributable to the one-time gain recognized by the company from ALCO's sale of its 40% equity in KHI to MEC in June 2020.

9% Decrease in Tax Expense
The decrease was mainly due to the less income tax recognized for CLLC in the third quarter of 2020 as compared with the same period last year.

RESULTS OF OPERATIONS
September 2020 vs December 2019

	SEPT 30, 2020	DEC 31, 2019	% Change
Revenues	**P 1,463,539,596**	P 3,847,857,424	-62%
Cost of sales and services	**786,637,976**	2,145,739,457	-63%
GROSS INCOME	**676,901,620**	1,702,117,967	-60%
Administrative expenses	**268,224,054**	409,806,713	-35%
Selling and marketing expenses	**165,589,086**	256,010,229	-35%
OPERATING EXPENSES	**433,813,140**	665,816,942	-35%
OPERATING INCOME	**243,088,480**	1,036,301,025	-77%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	**(162,377,191)**	(124,839,604)	30%
Gain on change in FV of investment properties	**908,735,306**	1,180,724,811	-23%
Other income – net	**295,905,361**	31,106,679	851%
INCOME BEFORE INCOME TAX	**1,285,351,956**	2,123,292,911	-39%
TAX EXPENSE	**315,798,913**	636,145,034	-50%
NET INCOME	**P 969,553,043**	P 1,487,147,877	-35%
NET INCOME ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	**896,534,926**	1,187,016,033	-24%
Non-controlling interest	**73,018,117**	300,131,844	76%
	P 969,553,043	P 1,487,147,877	-35%

The Company posted a consolidated net income of ₱969.6 million in the third quarter of 2020 as compared with the 2019 full year net income of ₱1,487.1 million.

RESULTS OF OPERATIONS
July – September 2020 vs July – September 2019

	JULY 1 - SEPT 30, 2020	JULY 1 - SEPT 30, 2019	% Change
Revenues	**P 577,668,831**	P 409,474,980	41%
Cost of sales and services	**315,821,942**	188,494,009	68%
GROSS INCOME	**261,846,889**	220,980,971	-18%
Administrative expenses	**101,040,808**	129,604,203	-22%
Selling and marketing expenses	**64,966,357**	53,525,703	21%
OPERATING EXPENSES	**166,007,165**	183,129,906	-9%
OPERATING INCOME (LOSS)	**95,839,724**	37,851,065	153%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	**(56,327,917)**	(37,052,673)	52%
Gain on change in FV of investment properties	**-**	281,247,517	-100%
Other income – net	**10,674,804**	4,791,909	123%
	(45,653,113)	248,986,753	-118%
INCOME BEFORE INCOME TAX	**50,186,611**	286,837,818	-83%
INCOME TAX EXPENSE (BENEFIT)	**(2,200,348)**	42,429,678	-105%
NET INCOME	**P 52,386,959**	P 244,408,140	-79%

The company reported ₱52.4 million net income from July to September 2020 as against ₱244.4 million net income recognized over the same period in 2019.

41% Increase in Revenues
The increase was attributable to the revenue recognized from the sale of Savya and CebEx offices and leasing revenue from ACPT.

68% Increase in Cost of Sales and Services
The increase in cost of sales was related to the above revenue recognition and higher cost of leasing.

22% Decrease in Administrative Expenses
The decrease was attributable to legal and professional fees as well as expenditures for travels, utilities, repairs, and other operating expenses which had gone down due to community quarantine.

21% Increase in Selling and Marketing Expenses
The net increase was mainly attributable to commissions recognized on booked sales of CebEx and Savya offices.

52% Increase in Finance Costs
The increase was mainly due to non-capitalizable interests from ASEAN Green Bonds and other working capital loans in 2020.

100% Decrease in Gain on change in FV of Investment Properties
No fair value gain for investment properties was recognized for the third quarter of 2020.

123% Increase in Other Income - Net
The increase was attributable to earnings on the additional placements made from the proceeds of ASEAN Green Bonds and various loans.

105% Decrease in Tax Expense (Benefit)
The decrease was mainly due to tax related to gain on change in fair value of investment properties recognized in prior period.