

COVER SHEET

SEC Registration Number

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COMPANY NAME

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D	I	A	R	I	E	S																							

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

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Company's Telephone Number

7918-8188

Mobile Number

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No. of Stockholders

5,670

Annual Meeting (Month / Day)

**Every 2nd to the last Friday
of April Each Year**

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Venus A. Mejia

Email Address

**venus.mejia@filinvestg
roup.com**

Telephone Number/s

7918-8188

Mobile Number

--

CONTACT PERSON'S ADDRESS

79 EDSA, Brgy. Highway Hills, Mandaluyong City

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

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATIONS CODE
AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

For the calendar year ended **December 31, 2019**

SEC Identification Number **170957**

BIR Tax ID **000-533-224**

Exact name of registrant as specified in its charter

FILINVEST LAND, INC.

Province, Country or other jurisdiction of incorporation or organization

Philippines

Filinvest Bldg., #79 EDSA, Highway Hills, Mandaluyong City, Metro Mla.

1550

Address of principal office

Postal Code

Registrant's telephone number, including area code

02-7918-8188 / 02-7588-1678

N/A

Former name, former address, and former fiscal year, if changed since last report

Securities registered pursuant to Section 8 and 12 of the SRC

<u>Title of Each Class</u>	<u>Number of shares of Common Stock Outstanding</u>	<u>Amount of Long-Term Debt Outstanding</u>
Common Stock, P 1.00 par value	24,249,759,506	₱52,230,795

Are any or all of these securities listed on the Philippine Stock Exchange

Yes

☒

No

☐

Check whether the issuer:

- (a) has filed reports required to be filed by Section 17 of the SRC Rule 17 thereunder or Section 11 of the RSA Rule 1(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes

☒

No

☐

- (b) has been subject to such filing requirements for the past 90 days.

Yes

☒

No

☐

State the aggregate market value of the voting stock held by non-affiliates. **₱12.14 Billion**

**APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION
OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEAR:**

Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court of the Commission.

Yes ☐ Not Applicable No ☐

If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-1 into which the document is incorporated.

- a) Any annual report to security holders;
- b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);
- c) Any prospectus filed pursuant to SRC Rule 8.1-1

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Part 1 – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

1. 1. Brief Description and Recent Developments

Filinvest Land Inc. (“FLI” or “the Parent Company”) is one of the leading real estate developers in the country, providing a wide range of real estate products to residential and commercial customers. FLI (including its predecessor’s operations) has over 50 years of real estate expertise and has developed over 2500 hectares of land, having provided home/home sites for over 200,000 families.

FLI is one of the largest nationwide residential developers in 53 cities and towns in 19 provinces in the Philippines. It is also one of the largest mid-rise building (MRB) developers in the country today and a market leader in the affordable and middle-income residential segments. It currently owns land bank of 1,753 hectares for sustainable future growth.

The Parent Company and its subsidiaries (collectively referred to as “the Group”) offer a range of real estate products from socialized and affordable housing to middle-income and high-end housing, various types of subdivision lots, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, condotels, and condominium buildings. The Group also leases out commercial and office spaces in Muntinlupa City, Makati City, Pasay City, Cebu City, Tagaytay City, Cavite, and Clark Mimosa, its major locations for leasing.

Filinvest Axis Tower 2, located in Northgate Cyberzone Alabang, was completed in 2019 adding 39,341 square meters of GLA to the office portfolio. FLI now operates 31 office buildings totaling 523,902 square meters. For retail, FLI has 243,215 square meters GLA in the retail portfolio in 2019 from 242,127 square meters in 2018.

With a more diversified portfolio, FLI expects to generate stable recurring revenue from its retail and office investment properties. These recurring revenues can, in turn, be used to provide internally generated funding for other projects. FLI is not and has never been a subject of any bankruptcy, receivership, or similar proceedings.

19.2-hectare South Road Properties

In July 2015, FLI, Cyberzone Properties, Inc. and Filinvest Alabang Inc. (collectively referred to as Filinvest Consortium) won the bidding for a 19.20-hectare lot in Cebu’s SRP. Thereafter, on August 7, 2015, Filinvest Consortium entered into a Deed of Sale on Installment (DSI) with the Cebu City Government. In a letter dated January 6, 2017, the Cebu City Mayor questioned the validity of the sale and gave the buyers the option to withdraw from the sale at buyer’s discretion. In a letter to the Cebu City Mayor dated February 7, 2017 (the Letter), Filinvest Consortium expressed its intention to rescind the DSI. Under the DSI, Cebu City undertook to comply with several covenants, undertakings and obligations no later than February 7, 2016 (or 180 days from execution of the DSI). The Letter pointed out that as of February 7, 2017, the said covenants, undertakings and obligations have not been complied with and it does not appear that these will be complied with within a foreseeable reasonable period of time.

The rescission of the DSI shall only take effect upon return by Cebu City of the down payment and installment payments made to Cebu City by Filinvest Consortium, plus interests, within ninety (90) days from receipt of the Letter in accordance with Section 5.7 of the DSI. Pending receipt of such payments, the DSI shall remain valid and subsisting by and among the parties.

As of February 27, 2019, such payment has not been received and no formal and definitive legal proceeding has been undertaken by the parties on this matter. Consequently, as of said date, the DSI remains valid and Filinvest Consortium has the sole and rightful claim over the property.

The 19.2-hectare property mentioned above is a separate property from the other two properties within the SRP which were acquired from Cebu City: a) the 40-hectare property under a joint venture

undertaking with Cebu City; and b) the 10-hectare property which was already paid in full by FLI to Cebu City.

On August 2, 2019, Filinvest Consortium informed Cebu City that the payments will be judicially consigned in accordance with law considering that to date, Cebu City has not yet returned the payments with interest, thus, the conditional rescission has already expired. In response, Cebu City issued a letter dated October 4, 2019 to FLI Consortium and insisted that the latter has no longer any debt to Filinvest Consortium as the DSI was effectively rescinded. Cebu City reiterates its willingness to reconstitute the Filinvest Consortium of the amount it has already paid prior the rescission.

The Cebu City Government and Filinvest Consortium came to a resolution on January 8, 2020 with the full payment and the signing of the Deed of Absolute Sale. The Filinvest Consortium paid on December 17, 2019 the full amount of the purchase price of the lot plus the accumulated interest for the unpaid installments since 2017. Accordingly, the matter has been resolved.

The carrying value of the property amounted to ₱1.86 billion as of December 31, 2019.

1.2. Form and Date of Organization

FLI was incorporated in the Philippines on November 24, 1989 as Citation Homes, Inc. and later changed its name to FLI on July 12, 1993. It started commercial operations in August 1993 after Filinvest Development Corporation (FDC), the Parent Company, spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares of stock of FLI. FLI was listed on the PSE on October 25, 1993.

As of December 31, 2019, FDC owns 65% of Common Stock and 100% of Preferred Stock of FLI. FDC is the holding company for real estate and other business activities of the Gotianun Family. FDC traces its origin to the consumer finance business established by Mr. Andrew Gotianun Sr. and his family in 1955. The shares of FDC and FLI are both listed in the Philippine Stock Exchange. The ultimate parent company of FLI is A. L. Gotianun, Inc.

1.3. Subsidiaries

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries. The nature of business and the corresponding percentages of ownership over these entities as at December 31, 2019, 2018 and 2017 are as follows. The voting rights held by the Group in these subsidiaries are in proportion to its ownership interest.

Subsidiaries	Nature of Business	2019	2018	2017
Filinvest AII Philippines, Inc. (FAPI)	Real estate developer	100%	100%	100%
Filinvest BCDA Clark, Inc. (FBCI) ¹	Real estate developer	55%	55%	55%
FCGC Corporation (FCGCC)	Real estate developer	100%	100%	100%
Gintong Parisukat Realty and Development Inc. (GPRDI)	Real estate developer	100%	100%	—
Homepro Realty Marketing, Inc. (Homepro)	Real estate developer	100%	100%	100%
Cyberzone Properties, Inc. (CPI)	Leasing	100%	100%	100%
Filinvest Asia Corporation (FAC)	Leasing	60%	60%	60%
Filinvest Cyberparks, Inc. (FCI)	Leasing	100%	100%	100%
Filinvest Cyberzone Mimosa, Inc. (FCMI)	Leasing	100%	100%	100%
Festival Supermall, Inc. (FSI)	Property management	100%	100%	100%
Filinvest Lifemalls Corporation (FLC)	Property management	100%	100%	100%
Filinvest Lifemalls Mimosa, Inc. (FLMI)	Property management	100%	100%	100%
Filinvest Lifemalls Tagaytay, Inc. (FLTI)	Property management	100%	100%	100%
Pro-Excel Property Managers, Inc. (Pro-Excel) ²	Property management	33%	74%	74%

(Forward)

Subsidiaries	Nature of Business	2019	2018	2017
ProOffice Works Services, Inc. (ProOffice) ³	Property management	100%	—	—
Property Specialist Resources, Inc. (Prosper)	Property management	100%	100%	100%
FSM Cinemas, Inc. (FSM Cinemas) ⁴	Theater operator	60%	60%	60%
Philippine DCS Development Corporation (PDDC)	District cooling systems, builder and operator	60%	60%	60%
Timberland Sports and Nature Club, Inc. (TSNC) ⁵	Recreational Sports and Natures Club	98%	98%	97%
Dreambuilders Pro, Inc. (DPI)	Construction	100%	100%	100%
ProMixers Aggregates Corp. (PMAC) ⁶	Construction	100%	—	—
Leisurepro, Inc. (Leisurepro)	Marketing	100%	100%	100%
Proleads Philippines, Inc. (PPI)	Marketing	100%	100%	100%
Property Leaders International Limited (PLIL)	Marketing	100%	100%	100%
Property Maximizer Professional Corp. (Promax)	Marketing	100%	100%	100%
Realpros Philippines, Inc. (RPI)	Marketing	100%	100%	100%

1. FBCI is owned indirectly through FCGCC.
2. Deconsolidated in 2019. CPI and FCI sold its ownership in Pro-Excel to FAI. The effective ownership interest of the Parent Company was reduced to 33%.
3. ProOffice is owned indirectly through CPI and FCI.
4. FSM Cinemas is owned indirectly through FSI.
5. In 2018 and 2017, the Parent Company acquired noncontrolling interest in TSNC representing additional 1% and 5% ownership interest, respectively, for a total consideration of ₱16.09 million and ₱138.85 million, respectively.
6. PMAC is owned indirectly through DPI.

Detailed discussion of each subsidiary follows:

- FAPI was incorporated on September 25, 2006 to develop the TSNC and Phase 2 of Timberland Heights
- FCGCC was incorporated on February 11, 2016 to undertake the development of the Clark Green City Project under the Joint Venture Agreement with Bases Conversion and Development Authority (BCDA). On March 16, 2016, Filinvest BCDA Clark, Inc. (FBCI), a joint venture company with BCDA, was incorporated to handle the aforementioned development. FBCI is 55%-owned by FCGCC and 45%-owned by BCDA. As of December 31, 2019, FCGCC and FBCI have not started commercial operations.
- On January 19, 2018, FLI entered into a Share Sale and Purchase Agreement to purchase 100% of the total outstanding shares of GPRDI for a total consideration of ₱1.71 billion. The primary purpose of GPRDI is to hold, purchase, lease, contract of otherwise acquire any and all real and personal properties. GPRDI has not started its commercial operations as of December 31, 2019.
- Homepro incorporated on March 25, 1997 and started commercial operations on January 1, 2004.
- CPI was incorporated on January 14, 2000 and began commercial operations on May 1, 2001. CPI is registered with the PEZA as an Economic Zone Facilities Enterprise, which entitles CPI to certain tax benefits and non-fiscal incentives such as paying a 5% tax on its modified gross income in lieu of payment of national income taxes. CPI is also entitled to zero percent value-added tax on sales made to other PEZA-registered enterprises. CPI owns and operates the IT buildings in Northgate Cyberzone, located in a 10-hectare parcel of land within Filinvest City. Its day-to-day operations are handled by FAI. CPI also leases a parcel of land measuring 2,831 sq. m. located in EDSA on which CPI built a 5-storey BPO building with a total GLA of 7,358 sq. m.
- FAC was incorporated on January 22, 1997 and as at date of this report is 60%-owned by FLI and 40%-owned by Reco Herrra Pte.Ltd. (RHPL). RHPL is 100% beneficially owned by the Government of Singapore Investment Corporation Pte. Ltd (GIC). FAC owns 50% of the

52-storey PBCom Tower, which is strategically located at the corner of Ayala Avenue and V. A. Rufino Streets in the Makati City Central Business District. FAC owns 36,000 sq. m. of leasable office space. The remaining 50% of PBCom Tower is owned by the Philippine Bank of Communications.

The PBCom Tower is registered as an information technology building by PEZA. Consequently, tenants occupying space in PBCom Tower are entitled to avail of certain fiscal incentives, such as a 5% tax on modified gross income in lieu of the regular corporate income tax of 30%, income tax holidays and vat exemption in certain cases.

Leases at the PBCom Tower are typically for periods ranging from three to five years, with the lease agreements generally requiring tenants to make a three-month security deposit. Rent is paid on a fixed rate per square meter basis depending on unit size and location.

- FCI was incorporated on February 4, 2014. Its primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.
- FCMI was incorporated on January 23, 2017. Its primary purpose is to acquire by purchase, lease except financial leasing, donation or and hold for investment or otherwise deal in real estate of all kinds, nature, purpose and/or any interest or right therein. During the first quarter of 2017, FCMI started the construction of its first BPO Office, the Filinvest Cyberzone Mimosa Building 1. FCMI started its commercial operations in May 2018.
- FSI is the property manager of Festival Supermall and other commercial centers of the Group. FSI also owns 60% equity interest in FSM Cinemas, Inc. which is engaged in theater operations. The transaction was accounted for using the pooling of interest method wherein the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts.
- FLC, formerly Whiluc Realty & Mgt., Inc., is organized to invest in, purchase, hold, use, develop, lease, sell, assign, transfer mortgage, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, of any corporation.
- FLMI was incorporated on January 23, 2017. Its primary purpose is to acquire by purchase, lease except financial leasing, donation, or otherwise, and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise deal in real estate of all kinds, nature and purpose and/or any interest or right therein. FLMI has not started its commercial operations as of December 31, 2019.
- FLTI was incorporated on November 20, 2017. Its primary purpose is to acquire by purchase, lease (except financial leasing), donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise deal in real estate of all kinds in order to develop, conduct, operation, lease, and maintenance of retail and commercial space for rent, restaurants, function halls, amusement centers, movie or cinema theaters within the compound to premises of the shopping centers. FLTI started its commercial operations in March 2018.
- On December 26, 2019, CPI and FCI, wholly owned subsidiaries of the Parent, entered into a Deed of Assignment to sell its ownership in Pro-Excel to FAI. The sale resulted in a loss of control in Pro-Excel and deconsolidation by the Group. The remaining ownership of the Parent Company in Pro-Excel is 33%. Subsequently after disposal, the investment in Pro-excel is accounted as investment in associate under the equity method.

- ProOffice was incorporated on March 18, 2019 to engage in the business of administration, maintenance and management of real estate developments and projects. ProOffice started commercial operations in August 2019.
- Prosper was incorporated on June 10, 2002 and started commercial operations on January 01, 2004. Prosper is engaged in the purchase, lease and management of hotel and resort properties, and is currently managing the condotel operations of a high-rise condominium (Grand Cenia) and hotel project (Quest Hotel) of the Parent Company. Prior to Prosper's condotel and hotel management business, Prosper was engaged in the business of real estate marketing.
- FSM Cinemas was incorporated on April 23, 1998 to engage in servicing, booking, and arranging of films, programs, shows, plays, and movies of all kinds, types, makes, and colors for movie houses, theaters, or cinemas and to exhibit, lease, rent, run or operate movie houses, theaters, cinemas, as well as, supply equipment, machines and accessories needed in cinemas, theaters or movie houses. FSM Cinemas is owned indirectly through FSI.
- On April 15, 2015, FLI and Engie Services Philippines (ENGIE) entered into a joint venture agreement to establish PDDC. On July 31, 2015, PDDC was registered with the SEC to engage in the business of building and operating a district cooling system within existing and future buildings at Northgate Cyberzone Area, Filinvest City, Alabang, Muntinlupa City. PDDC is 60% owned by FLI and 40% owned by ENGIE.
- On July 18, 2018, the SEC approved TSNC's application on voluntary revocation of its secondary registration which allowed TSNC to proceed with the transition to its new business model. On November 15, 2018, the Board of Directors (BOD) approved the amendment to change the primary purpose of the Club from an exclusive recreational sports club to a for profit commercial facility. On July 24, 2019, TSNC submitted its Amended Articles of Incorporation to SEC. The amendments include (a) change of the primary purpose of TSNC from that of an exclusive recreational sports club to a real estate development Company; (b) change of TSNC's principal address from No. 173 P. Gomez Street, San Juan, Metro Manila to Timberland Heights, Barangay Malanday, San Mateo Rizal; (c) converting of TSNC's capital stock from no par value club shares to par value shares; (d) removal of provisions which characterizes TSNC as an exclusive non-profit association; and (e) removal of paragraphs which relate to the operations of an exclusive recreational sports club. On August 1, 2019, the SEC approved TSNC's application for voluntary revocation of its secondary registration. On August 18, 2019, the SEC approved TSNC's Amended Articles of Incorporation.
- DPI was incorporated on January 11, 2017 to engage in and carry on a general construction business. DPI started its commercial operations in February 2017.
- PMAC was incorporated on October 11, 2019 mainly to operate concrete batching plant, manufacture and supply of precast and construction equipment supply and rental. PMAC has not started commercial operations as of December 31, 2019.
- Leisurepro was incorporated on April 21, 2004 and started commercial operations on January 1, 2006.
- PPI was incorporated on March 29, 2017 to provide management, organizational, and other administrative services and training. PPI started its commercial operations in November 2017.
- PLIL, a company limited by shares, was registered at the territory of the British Virgin Islands on February 7, 2017. PLIL has not started its commercial operations as of December 31, 2019.
- Promax was incorporated on October 3, 1997. It is engaged in real estate marketing business and handle the marketing and sale of socialized, affordable, middle income, high-end and farm estate property development projects of FLI.

- RPI was incorporated on August 3, 2017 to provide administrative support services and skills training primarily through the use of information technology, licensed software, and systems. RPI has started its commercial operations in November 2017.

1.4. Equity Investments in CTI, Pro-Excel, FAI and FMI

CTI

As of December 31, 2018, investment in Corporate Technologies, Inc. (CTI) was reported under “Other noncurrent assets” due to pending SEC approval and issuance of amended articles of incorporation. In 2019, the 30% interest in CTI of the Parent Company was classified as an investment in associate. CTI is primarily involved in information technology service management.

Pro-Excel

On December 26, 2019, CPI and FCI, wholly owned subsidiaries of the Parent, entered into a Deed of Assignment to sell ownership in Pro-Excel to FAI. The sale resulted to a loss of control in Pro-Excel and deconsolidation by the Group. As of December 31, 2019, the remaining ownership of the Parent Company in Pro-Excel is 33%. No significant transaction transpired between the date of sale and reporting date resulting in no share in net earnings of Pro-Excel for the year ended December 31, 2019. Pro-Excel is engaged in the business of administration, maintenance and management of real estate development, controlled development projects and subdivision projects.

FAI

FAI was incorporated on August 25, 1993 and started commercial operations in October 1995. FLI has a 20% equity interest in FAI. FAI’s current project is the master-planned development of Filinvest City, a 244-hectare premier satellite city development project which has been designed using modern and state of the art, ecological, urban planning with a mixed-use integrated development with office, retail, residential, institutional, leisure and hospitality projects in southern Metro Manila. Located at the southern end of Metro Manila and adjacent to the South Expressway, Filinvest City is approximately 16 kilometers south of Makati, the central business district in Manila and 10 kilometers from the Ninoy Aquino International Airport. Filinvest City is surrounded by over 2,800 hectares of developed high-end and middle-income residential subdivisions and commercial developments. The said project is under a joint venture agreement with the Government.

FMI

FMI was incorporated on March 31, 2016 and started commercial operations in June 2016. FLI has a 47.5% equity interest in FMI. FMI entered into a long-term lease of the Mimosa Leisure Estate after it bagged the rights to lease, develop and operate the 202 hectare estate development. There was an operating hotel with 303 rooms and 34 villas together with a 36-hole golf course.

1.5. Business Groups, Product Categories, Target Markets and Revenue Contribution

As a result of the recent business developments, FLI is now composed of two business segments with corresponding product categories, target markets and revenue contributions as follows:

1.5.1 Real Estate Sales Segment

FLI’s main real estate activity since it started operations has been the development and sale of residential property, primarily housing units and subdivision lots; in certain cases, provision of financing for unit sales.

Residential Projects

FLI is able to tap the entire residential market spectrum with the following range of housing units catering to various income segments:

- *Socialized housing:* These developments are marketed and sold under FLI's Pabahay brand and consist of projects where lots typically sell for ₱160,000 or less per lot and housing units typically sell for ₱580,000 or less per unit. Buyers for these projects are eligible to obtain financing from the Government-mandated PAGIBIG Fund. Maximum sale prices for the Company's specialized housing products do not exceed the Government-mandated ceiling of ₱580,000 per unit. Any income realized from the development and improvement of socialized housing sites are exempt from taxation.
- *Affordable housing:* These developments are marketed and sold under FLI's Futura Homes brand and consist of projects where lots are typically sold at prices ranging from above ₱160,000 to ₱750,000 and housing units from above ₱580,000 to ₱1,500,000. FLI designs and constructs homes in this sector with the capacity and structural strength to give the owner the option to place an additional storey, which can double the available floor area. Affordable housing projects are typically located in provinces bordering Metro Manila, including Bulacan, Laguna, Batangas and Cavite, and in key regional cities and provinces such as Tarlac, Cebu, Davao, Palawan, Bacolod and Koronadal. Construction of a house in this sector is usually completed approximately six months from the completion of the required down payment.
- *Middle-income housing:* These developments are marketed and sold under FLI's Aspire brand and consist of projects where lots are typically sold at prices ranging from above ₱750,000 to ₱1,200,000 and housing units from above ₱1,500,000 to ₱4,000,000. Middle-income projects are typically located within Metro Manila, nearby provinces such as Rizal, Cavite, Pampanga and Laguna, and major regional urban centers in Cebu, Davao, and Zamboanga.
- *High-end housing:* Marketed under Filinvest Prestige brand, these developments consist of projects where lots are sold at prices above ₱1,200,000 and housing units for above ₱4,000,000. FLI's high-end projects are located both within Metro Manila and in areas immediately outside Metro Manila.

Other Real Estate Projects

In order to achieve product and revenue diversification, FLI has added the following projects so as to cater to other market niches:

a. Townships

Townships are master-planned communities to include areas reserved for the construction of anchor facilities and amenities. FLI believes that these facilities and amenities will help attract buyers to the project and will serve as the nexus for the township's community. Anchor developments could include schools, hospitals, churches, commercial centers, police stations, health centers and some other government offices

Filinvest at New Clark City

This 288-hectare property will be transformed into a vibrant business metropolis that is in harmony with its natural setting. The BCDA, FLI's partner in the development, is fast-tracking the construction of access roads that will connect the project to SCTEX and to Clark Freeport Zone. New Clark City will be built around four pillars: world center, multi-gen metropolis, eco-efficient capital and strategic base – a cohesive fusion that creates a globally-competitive city. It will be shaped around the existing

terrain, with meandering waterways and a Loop Park to connect the pedestrian-friendly districts. Green pathwalks, bike lanes, e-transport systems and other innovative features are expected to set the benchmark for future planning in the Philippines. The development will have 100 hectares of industrial space, 30 hectares of residential communities, 80 hectares of open spaces and the balance will be mixed commercial establishments.

Filinvest Mimosa+ Leisure City

As the winning bidder in the privatization of the Mimosa estate in Pampanga, Filinvest is currently developing the 201-hectare property under Filinvest Mimosa, Inc., a new company formed by the consortium of FLI and FDC. FLI will handle the retail, office and residential components while FDC will undertake the hospitality, leisure and gaming segments. Envisioned to be a top-of-mind, year-round business and leisure destination, the sprawling Filinvest Mimosa+ Leisure City is being transformed into a vibrant and green central township that is home to various industries such as BPO, hospitality, retail, real estate, golf and gaming. Its location in Clark Freeport Zone allows FLI to take advantage of the growing interest of tourists and investors in the progressing Clark City. In addition to the renowned golf course, its components include a lifestyle and retail strip, a pavilion and grounds for events and an office campus called Workplus. This business hub will be composed of eight mid-rise buildings with fiber-optic facilities, podium parking and ground retail area. Also part of the design is a lovely promenade that will connect all buildings and serve as a place for employees to enjoy the serene outdoor environment of Mimosa. To complement the business and commercial district, the Quest Hotel and Conference Center Clark will be joined by a residential area of mid- to high-rise buildings for investment or end-use. The existing green resort environment will be further enhanced with parks, walking paths and bike trails to encourage wellness through nature and outdoor activities

Ciudad de Calamba

Ciudad de Calamba is a 350-hectare development located in Calamba, Laguna. This township project is anchored by the Filinvest Technology Park-Calamba which is a PEZA-registered special economic zone. Ciudad de Calamba provides both industrial-size lots and ready-built factories to domestic and foreign enterprises engaged in light to medium non-polluting industries. FLI also donated to the city government of Calamba a parcel of land located within the Ciudad de Calamba, which will be used for a city health center and police station. The Parent Company also intends to develop the Ciudad de Calamba Commercial Center as part of this township project.

Havila

Havila, or formerly, Filinvest East County is a 335-hectare township along the eastern edge of Metro Manila, which traverses the municipalities of Taytay, Antipolo and Angono. It is anchored by two educational institutions: San Beda College – Rizal and the Rosehill School. The master plan for Havila provides for a mix of affordable, middle-income and high-end subdivisions on rolling terrain overlooking Metro Manila at an elevation of 200 meters above sea level.

Timberland Heights

Timberland Heights is a 677-hectare township project anchored by the Timberland Sports and Nature Club. It is located in the municipality of San Mateo, which is just across the Marikina river from Quezon City, and has been designed to provide residents with leisure facilities and resort amenities while being located near malls, hospitals and educational institutions located in Quezon City.

City di Mare

Inspired by the world's best-loved coastal cities, City di Mare, or "City by the Sea", spans across 50.6 hectares at Cebu's South Road Properties.

It is a master-planned development composed of different zones catering to a wide array of lifestyles and activities - Il Corso, the 10.6-hectare waterfront lifestyle strip; the 40-hectare residential clusters; and The Piazza, nestled at the heart of the residential enclaves puts lifestyle essentials such as school, church, shops, and restaurants within the neighborhood. City di Mare is envisioned to be a destination in itself, takes full advantage of the coastal ambience featuring seaside shopping, dining, beach and water sports and more, right by the water's edge.

The 10.6-hectare retail development known as Il Corso shall have a gross leasable area of approximately 32,000 square meters. City di Mare has four resort-themed residential enclaves inspired by world-class resorts, with each 10-hectare development flaunting a distinct architectural character. With over 65% of the property allocated for wide, open areas and landscaped greens, City di Mare provides the generous amenity of breathing space and a refreshing dose of nature throughout the site. Residences are spread out over the sprawling development, maximizing the abundant sunlight and allowing the invigorating sea air to circulate freely.

b. Leisure projects

FLI's leisure projects consist of its residential farm estate developments and residential resort development.

1. Residential farm estates

FLI's residential farm estate projects serve as alternative primary homes near Metro Manila to customers, such as retirees and farming enthusiasts. Customers can purchase lots (with a minimum lot size of 750 square meters) on which they are allowed to build a residential unit (using up to 25.0% of the total lot area). The remaining lot area can be used for small-scale farm development, such as fish farming or vegetable farming. Residential farm estates are sold on a lot-only basis, with buyers being responsible for the construction of residential units on their lots. To help attract buyers, FLI personnel are available on site to provide buyers with technical advice on farming as well as to maintain demonstration farms.

At present, FLI has three residential farm estates:

- *Nusa Dua Farm Estate ("Nusa Dua")* located in Cavite province just south of Metro Manila. The amenities at the Nusa Dua development include a two-storey clubhouse and a 370 square meter swimming pool.
- *Mandala Residential Farm Estate ("Mandala")* located in Rizal province as part of the FLI's Timberland Heights township project. It offers hobby farmers generous lot cuts and Asian-inspired homes that complement the mountain lifestyle.
- *Forest Farms Residential Farm Estate ("Forest Farms")* located in Rizal province as part of Company's Havila township project. It is an exclusive mountain retreat and nature park, nestled between the hills of Antipolo and forested area of Angono.

2. Residential resort development

Kembali Coast on Samal Island, Davao is a beachfront residential resort development. This 50-hectare Asian-Balinese inspired island getaway offers low-density exclusivity and comes with a 1.8 km beach line that offers unobstructed view of the sea.

Laeuna de Taal ("Laeuna") is located in Talisay Batangas with a view of the Taal lake and a lakeside residential community, about a ten-minute drive from the popular tourist destination of Tagaytay. Laeuna is an Asian Tropical-inspired community which offers three (3) residential enclaves (Arista, Bahia and Orilla) with a range of property choices for every family. Located on the water front is the Lake Club, a lakeside amenity designed for wellness, recreation and celebration.

c. Medium Rise Buildings

Medium Rise Buildings (MRB) projects are five-storey to ten-storey buildings clustered around a central amenity area. The buildings occupy 30% to 35% of the land area, providing a lot of open spaces. FLI currently has the following MRB projects:

Project Name	Location
Metro Manila/ Luzon	
Asiana Oasis	Paranaque City
Bali Oasis	Pasig City
Bali Oasis 2	Pasig City
Capri Oasis	Pasig City
For a	Tagaytay
Fortune Hill	San Juan City
Futura East	Cainta, Rizal
Maui Oasis	Sta. Mesa, Manila
One Oasis Ortigas	Pasig City
One Spatial	Pasig City
Panglao Oasis	Taguig
Sorrento Oasis	Pasig City
The Signature	Balintawak, Quezon City
Verde Spatial	Quezon City
Alta Spatial	Valenzuela City
Centro Spatial	Manila
Belize Oasis	Muntinlupa
Visayas	
Amalfi Oasis	City di Mare, Cebu
Marina Spatial	Dumaguete
One Oasis Cebu	Mabolo, Cebu City
One Spatial Iloilo	Iloilo
San Remo Oasis	City di Mare, Cebu
Umi Garden	City di Mare, Cebu
Mindanao	
Centro Spatial	Davao City
Eight Spatial	Maa, Davao
One Oasis Cagayan de Oro	Cagayan de Oro
One Oasis Davao	Davao City
Veranda Resort Condos	Davao
Maldives Aspire	Davao

d. High Rise Buildings

The Linear

The Linear, a master-planned residential and commercial hub in Makati City. Two-L-shaped towers, each 24-storeys high, comprise this dynamic condominium community that perfectly caters to the needs of young urban professionals.

Studio City

Studio City is a community composed of five-tower residential condominium complex within the Filinvest City to serve the demand for housing of the growing number of professionals working within Filinvest City and in the nearby Madrigal Business Park.

Since it is located within the Filinvest City, residents will enjoy proximity to Festival Supermall, Westgate Center, Northgate Cyberzone, Asian Hospital and Medical Center, and other commercial, educational and medical institutions. The development consists of 18-storeys per building with

commercial units at the ground floor. All residential floors will have 25 studio units per floor. Studio Tower 5 is under construction.

The Levels

Located at one of the highest points of Filinvest City at around 23 meters above sea level, The Levels is a one-block, four-tower residential condominium development that features laidback suburban living inside a fast-paced business district. The residential development is set in a tropical landscape, with four towers uniquely designed with terracing levels, giving it a castle-effect look. The high-rise sections will be set in lush greenery, providing residents with views of the gardens. The second tower has just been launched.

Vinia Residences

Vinia is a 25-storey condominium development located along EDSA in Quezon City, right across TriNoma and just steps away from the MRT-North Avenue station. With its coveted location, it offers a world of ease and convenience to yuppies and families looking for quality homes, as well as budding entrepreneurs who want to start a home-based business at the heart of the city.

Studio Zen

Studio Zen is a 21-storey condominium development located along Taft Avenue in Metro Manila. Student-oriented amenities, Zen-inspired features, and functional building facilities makes it an ideal residence for students living independently and a great investment opportunity for entrepreneurs who want to take advantage of the ready rental market in the area.

Studio A

Studio A is a single tower 34-storey hi-rise residential condominium located in Loyola Heights in Quezon City. A community conveniently situated near premier universities, the LRT 2 line and other commercial establishments.

100 West

100 West is a single tower 38-storey high-rise commercial and residential condominium with office spaces located in Gen. Gil Puyat Avenue corner Washington St. in Makati City. 100 West is in the Makati Business District and accessible to both north and south of Metro Manila.

Studio 7

Studio 7 is a mixed-use development that will have office and residential towers complemented with retail outlets, located in Quezon City along EDSA very close to the GMA-Kamuning MRT station. Studio 7 will have studios as well as one-bedroom residential units.

Activa

Activa is a mixed use development with residential, office, retail and hotel components. It is entrenched in the heart of Quezon City's busiest and liveliest district, Cubao. Situated at the crossroads of two of the metro's most vital thoroughfares. Activa connects to the north and south via EDSA, and to the east and west via Aurora Boulevard. It also has direct access to the MRT and LRT lines, and accessible by various modes of transportation like buses and jeepneys.

Analysis of Real Estate Sales

The table below shows a comparative breakdown of FLI's journalized real estate sales by product categories for the years ended December 31, 2019 and 2018 (in Thousands).

Category	Years ended December 31			
	2019		2018	
	Amount	% to total	Amount	% to total
Residential Lots and House & Lot Packages				
Socialized	P345,195	2.03%	P274,178	1.90%
Affordable	5,415,691	31.83%	4,770,513	33.12%
Middle Income	9,432,647	55.44%	7,847,275	54.48%
High-end & Others	1,477,759	8.69%	1,249,249	8.67%
Industrial Lots	—	0%	48,278	0.34%
Residential Farm Lots	278,006	1.63%	156,380	1.09%
Leisure	63,822	0.38%	58,328	0.40%
Total	P17,013,120	100.00%	P14,404,201	100.00%

Analysis of Cost of Sales

The table below shows a comparative breakdown of FLI's journalized cost of sales into various categories for the years ended December 31, 2019 and 2018 (in thousands):

	2019	2018
Land acquisition cost	P2,491,305	P1,926,515
Land development and construction cost	7,362,566	6,412,693
	P9,853,871	P8,339,208

1.5.2. Leasing Segment

FLI's investment properties are categorized as retail and office segments.

Commercial Retail Leasing Properties

Festival Mall Alabang

The landmark project, Festival Mall Alabang, carries on its position as the prime destination for recreation and retail in southern Metro Manila. With more 'firsts' on its offerings and a better shopping ambiance, the mall has altered the retail experience in the south. It is one of the country's largest shopping malls with more than 1,500 shops.

As the existing mall continued to have major improvements undertaken for its facilities, architectural works that gave the mall a refreshed look and modernized ambiance complementing the opening of its expansion. Festival Mall opened its doors for Decathlon, a French sporting goods retailer with approximately 5,000 sq. m of leasable space, which added to the roster of anchors pulling in drove of shoppers from catchments all over Luzon.

Simultaneously, the tenants of the mall expansion with over 46,000 sq. m of gross leasable area have gradually opened beginning 2017 bringing in a mix of fashion and food concepts. Another French sports retail giant opened the first ever Go Sport store in Southeast Asia with an area close to 1,000 sq. m.

The introduction of new and unique food establishments has made Festival a gastronomic destination ushering in new markets and strengthening traffic of its core target market. Festival Mall Expansion's new supermarket and department store partner anchor, Landmark, occupying around 50,000 sq. m of floor area, opened during the second half of 2017, further made the mall and Filinvest City's traffic

more dynamic. Festival patrons are also enjoying the Water Garden, a distinctly refreshing outdoor amenity and convergence zone.

Before end of 2017, two new additional malls, Fora in Tagaytay and Main Square in Bacoar, have opened which contributed more than 50,000 sq. m of leasable space.

Fora Mall

Conveniently located right by the city's landmark, Tagaytay Rotunda is Fora Mall, the first regional mall in the area fronting a mixed-use leisure development consisting of a condotel and residential buildings. This prime retail destination provides about 31,000 sq. m of leasable space amidst nature, open spaces, and a beautifully-landscaped amphitheater, primarily serving the strengthening local market and burgeoning tourist influx from the city and neighboring towns. A number of local and popular food concepts, coupled with national brands, have initially opened. A strong wellness category is also in place and junior anchors such as Ace Hardware, Abenson and La Sedia. Super Metro, its anchor, opened in June 2017 with the first hypermarket format operating for 24 hours. The four digital cinemas launched last November 2017 is now the locals' go to place for recreation.

Main Square

With a smaller format of over 18,000 sq. m leasable area, Main Square is the first and only mall along Bacoar Blvd, close to Bacoar City Hall and fronting Princeton Heights. Positioned as the reliable one-stop hub for neighboring gated villages of Bacoar, it provides basic shopping, wellness, service and convenience offerings from partner brands such as Anytime Fitness, Watson's, Ace Hardware, Western Appliances, Japan Home, and DIY. The mall's supermarket anchor for this development is Robinsons Supermarket, which has become the most convenient basic shopping destination in the area.

Il Corso

Il Corso is a planned retail development with an estimated 35,000 sq. m of leasable area when fully completed. It currently has four operating restaurants and one bank. The cinema has also opened. Other areas are expected to be operational within the year.

Commercial Office Properties

As of December 31, 2019, the Group owns commercial office spaces for lease to several BPO and other office locators. Primarily, they are located in Northgate Cyberzone in Filinvest City, Alabang, Muntinlupa. Northgate is an 18-hectare PEZA zone that enjoys developer incentives. Among the Group's portfolio is the PBCom tower where FLI owns 60.0% through FAC, which owns 50.0% of the 52-storey PBCom Tower in the Makati CBD. PBCom Tower is a Grade A-PEZA-registered, IT/office building on Ayala Avenue, Makati City with a GLA of 35,148 sq.m.

The Group also owns several completed office developments, in Bay City, Pasay, EDSA near Ortigas MRT station, Clark Mimosa and Cebu IT Park. A summary of the GLA is set forth below:

Location	Number of Buildings	GLA (sq. m.)
Northgate Cyberzone, Filinvest City	19	327,553
Metro Manila outside of Filinvest City	7	122,668
Outside Metro Manila	4	73,697
Total	30	523,918

The office buildings of Filinvest are mainly located in business parks or in mixed-used complexes highly accessible to public transport. The Group believes its business park model, wherein the Group builds on areas specifically suited for business and industrial establishments supported, in certain cases, by incentives from the Government, gives it a competitive advantage as business parks are the preferred site of major BPO tenants. Being located in a major business park allow the tenants

assurance of expansion options within close proximity thereby giving the Group an advantage over stand-alone developments.

- Northgate Cyberzone, an 18-hectare, PEZA-registered IT park located in Filinvest City in Alabang. The office buildings of the Group sit within the 10-hectare parcel of land in the Northgate district owned by FLI.
- Mimosa Workplus, an office village that is comprised of eight buildings set amidst the lush natural environment of the Filinvest Mimosa+ Leisure City.
- Cebu Cyberzone and Filinvest IT Park are two distinct developments on two separate Build-Transfer-Operate (BTO) arrangements with the Cebu Province. The two parcels of land totaling 2.9 hectares are in close proximity to the city center located along Banilad and Salinas Avenue in Cebu. Together these comprise 7 office towers, a mall and a hotel development. The office and mall portions are pre-certified LEED Gold rating.
- Activa is a 1.3 hectare mixed use development at the corner of EDSA and Aurora Boulevard and lies in close proximity to the Cubao LRT and Cubao MRT Stations. The development will have the following: BPO office tower, a traditional office tower, residential tower, hotel and a retail mall. The designs for the BPO office and mall portions are pre-certified with LEED Gold rating.
- Studio 7 is a two-tower mixed-use complex comprising of residential and office buildings on a retail podium. Located along major thoroughfare EDSA in Quezon City, it is strategically located close to the GMA Kamuning Metro Rail Transit 3 Station.
- Filinvest Cyberzone Bay City, a 4-tower office complex in the bustling section of the Bay Area. Its four towers are already completed and operating, and fully leased by POGOs. The complex is also certified LEED Silver rating.
- 100 West is part of a mixed used building in the Makati Central Business District. Office space allocated is approximately 14,333 sq. m.

The Group will continue to carry out an intensive marketing campaign so to maintain high occupancy rates in its investment properties to maximize leasing revenues.

The table below shows a breakdown of FLI's recorded gross leasing related revenues for the year ended December 31, 2019 and 2018 (amounts in Thousands of Pesos, except percentages).

	Years ended December 31			
	2019		2018	
	Amount	% to total	Amount	% to total
Office	₱5,170,892	73.78%	₱3,858,191	64.30%
Retail/Commercial	1,837,850	26.22%	1,750,067	35.70%
Total	₱7,008,742	100.00%	₱5,608,258	100.00%

1.6. Marketing and Sales

1.6.1 Real Estate Sales Segment

FLI develops customer awareness through marketing and promotion efforts and referrals from satisfied customers. The Parent Company has a real estate marketing team, a network of sales offices located in the Philippines and tie-ups with independent brokers/marketing partners in other countries such as Europe, Hongkong, the Middle East, Japan, and Singapore. FLI's marketing personnel, together with in-house sales agents and accredited agents, gather demographic and market information

to help assess the feasibility of new developments and to assist in future marketing efforts for such developments.

FLI conducts advertising and promotional campaigns principally through print and broadcast media, including billboards, fliers, and brochures designed specifically for the target market. Advertising and promotional campaigns are conceptualized and conducted by FLI's marketing personnel and by third-party advertising companies. These campaigns are complemented with additional advertising efforts, including booths at shopping centers, such as Festival Supermall, and other high traffic areas, to promote open houses and other events.

FLI also believes that the OFW population, as well as expatriate Filipinos, constitute a significant portion of the demand for affordable and middle-income housing either directly or indirectly by remitting funds to family members in the Philippines to purchase property. To this end, the Parent Company has appointed and accredited independent brokers in countries and regions with large concentrations of OFWs and expatriate Filipinos, such as Italy, Japan, Singapore, Hongkong, the United Kingdom and the Middle East. These brokers act as the Parent Company's marketing and promotion agents in these territories to promote the Parent Company and its products. The Parent Company also sponsors road shows in countries to promote its projects, targeting potential buyers, especially the OFW and Filipino expatriate markets. FLI also markets its properties using the Internet or via Digital marketing platforms.

Sales for FLI's housing and land development projects are made through both in-house sales agents and independent brokers. Both FLI's in-house sales agents and independent brokers are compensated through commissions on sales. In-house sales agents also receive a monthly allowance and are provided administrative support by FLI, including office space and expense allowances.

In addition to in-house sales agents and independent brokers, FLI also employs representatives who staff its sales offices and provide customers with information about FLI's products, including financing and technical development characteristics. FLI also assigns each project a sales and operations coordinator who will provide customers with assistance from the moment they make their sales reservation, during the process of obtaining financing, and through the steps of establishing title on their new home. FLI also has personnel who can advise customers on financing options, collecting necessary documentation and applying for a loan. FLI also helps design down payment plans for its low-cost housing customers that are tailored to each customer's economic situation. Further, once a house is sold and delivered, FLI has customer service personnel who are available to respond to technical questions or problems that may occur after delivery of the property.

1.6.2 Leasing Segment

Various professional, multinational commercial real estate leasing agents (including, but not limited to Jones Lang LaSalle, Santos Knight Frank and Colliers) are accredited to find tenants for its office space. These brokers work on a non-exclusive basis and earn commissions based on the term of the lease.

FLI also maintains, through its subsidiaries, an in-house leasing team to market its office & commercial spaces.

1.7. Customer Financing for Real Estate Projects

The ability of customers to obtain financing for purchases of subdivision lots or housing units is a critical element in the success of FLI's housing and land development business. Customer financing is particularly important in relation to sales of FLI's socialized housing projects, where most prospective buyers require financing for up to 100% of the purchase price. FLI therefore assists qualified homebuyers in obtaining mortgage financing from government-sponsored mortgage lenders, particularly for its socialized housing projects, and from commercial banks. FLI also provides a significant amount of in-house financing to qualified buyers.

In-house financing

FLI offers in-house financing to buyers who chose not to avail of Government or bank financing. FLI typically finances 80% of the total purchase price, which is secured primarily by a first mortgage over the property sold. The loans are then repaid through equal monthly installments over periods mostly from 5 to 10 years. The interest rates charged by FLI for in-house financing typically range from 11.5% per annum to 19.0% per annum, depending on the term of the loan.

PAG-IBIG Fund

A substantial number of buyers of the Parent Company's socialized housing units finance their purchases through the Home Development Mutual Fund, or PAGIBIG Fund. To provide a liquidity mechanism to private developers, the PAGIBIG Fund has instituted a take-out mechanism for conditional sales, installment contract receivables and mortgages and repurchases of receivables from housing loans of its members.

Mortgage loans

Mortgage loans from commercial banks are usually available to individuals who meet the credit risk criteria set by each bank and who are able to comply with each bank's documentary requirements. In addition to taking security over the property, a bank may also seek repayment guarantees from the Home Guaranty Corporation ("HGC"). To assist prospective buyers, obtain mortgage financing from commercial banks, FLI also has arrangements with several banks to assist qualified customers to obtain financing for housing unit purchases.

Deferred cash purchases

In addition to the aforementioned financing arrangements, FLI has offered so-called "deferred cash" purchases, particularly for its high-end and leisure developments. Under this arrangement, the entire purchase price is amortized in equal installments over a fixed period, which is typically 24 months. Title to the property passes to the buyer only when the contract price is paid in full or when the buyer executes a real estate mortgage in favor of the Parent Company which can be annotated on the title to the property.

1.8. Real Estate Development

FLI's real estate development activities principally include the purchase of undeveloped land or entering into joint venture agreements covering undeveloped land, the development of such land into residential subdivisions or other types of development projects, the sale of lots, the construction and sale of housing units and the provision of financing for some sales.

The development and construction work is contracted out to a number of qualified independent contractors on the basis of either competitive bidding or the experience FLI had with a contractor on prior project. FLI weighs each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments.

FLI maintains relationships with over 100 independent contractors and deals with them on an arm's length basis.

FLI does not enter into long-term arrangements with contractors. Construction contracts typically cover the provision of contractor's services in relation to a particular project or phase of a project. Progress payments are made to contractors during the course of a project development upon the accomplishment of pre-determined project performance milestones. Generally, FLI retains 10% of each progress payment in the form of a guarantee bond or cash retention for up to one year from the date the contracted work is completed and accepted by FLI to meet contingency costs.

FLI is not and does not expect to be dependent upon one or a limited number of suppliers or contractors. Its agreements with its contractors are in the nature of supply of labor and materials for the development and/or construction of its various real estate projects.

1.9. Competition

1.9.1. Real Estate Sales Segment

Real estate development and selling is very competitive. FLI believes it is strongly positioned in the affordable to middle-income residential market segments. Success in these market segments depends on acquiring well-located land at attractive prices often in anticipation of the direction of urban growth.

The Parent Company believes that the name and reputation it has built in the Philippine property market contributes to its competitive edge over the other market players. On the basis of publicly available information and its own market knowledge, FLI's management believes that it is among the leading housing and land / project developers in the Philippines. FLI's management also believes that FLI is able to offer competitive commissions and incentives for brokers, and that FLI is able to compete on the basis of the pricing of its products, offering a wider range of product types for different market sectors. Its brand name and its track record of successfully completing quality projects also gives credibility to our products.

FLI directly competes with other major real estate companies positioned either as a full range developer or with subsidiary companies focused on a specific market segment and geographic coverage. Its direct competitors include Ayala Land Inc., Vista Land, Robinsons Land, SMDC and DMCI.

The Parent Company faces significant competition in the Philippine property development market including land acquisition. This is particularly true for land located in Metro Manila and its surrounding areas, as well as in urbanized areas throughout the Philippines.

FLI's continued growth also depends in large part on its ability either to acquire quality land at attractive prices or to enter into joint venture agreements with land-owning partners under terms that can yield reasonable returns. Based on the Parent Company's current development plans, the Parent Company believes that it has sufficient land reserves for property developments for the next several years. If the Philippine economy continues to grow and if demand for residential properties remains relatively strong, the Parent Company expects that competition among developers for land reserves that are suitable for property development (whether through acquisitions or joint venture agreements) will intensify and that land acquisition costs, and its cost of sales, will increase as a result.

1.9.2. Leasing Segment

With regard to the Parent Company's assets dedicated to office space leasing and shopping mall operations, the Parent Company competes with property companies such as Ayala Land Inc., Robinsons Land Corp. and SM Prime Holdings in retail space leasing. In office space leasing, particularly to call centers and other BPO operators, the Parent Company competes with companies such as Robinsons Land, Inc., Ayala Land, Inc., Eton Corporation, SM Prime, and Megaworld Corporation.

1.10. Related-Party Transactions

The Parent Company is a member of the Filinvest Group. The Parent Company and its subsidiaries, in their ordinary course of business, engage in transactions with FDC and its subsidiaries. The Parent Company's policy with respect to related-party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

Significant related party transactions for the year ended 31 December 2019 are as follows:

a. Transactions with bank under common control of the ultimate parent (EWBC)

On 03 January 2012, the Group entered into a Receivable Purchase Agreement with EWBC, an entity under common control of the ultimate parent. The Group agreed to sell, assign, transfer and convey to EWBC all of its rights, titles and interest on certain contracts receivables. The contracts receivables sold to EWBC will be serviced by the Group under an Accounts Servicing Agreement.

Under this agreement, the Group shall be responsible for the monitoring and collection of contracts receivables sold to EWBC, including safekeeping of the collections in trust until these are remitted to EWBC, ten (10) days after the beginning of each month.

For the performance of the said services, the Group charges EWBC a service fee equivalent to a certain percentage of amounts actually received and collected. Although the Group retains the contractual rights to receive cash flows from the contracts receivables sold to EWBC, this will be subsequently distributed to EWBC under a "pass-through arrangement".

In this transaction, the risk of default and non-payment of buyers of contracts receivable is assumed by EWBC and the Group has no liability to EWBC for such events. Due to this, the Group derecognized the contracts receivables sold and did not recognize any liability in its consolidated financial statements.

The Group's plan assets in the form of cash equivalents amounting to ₱70.86 million and ₱55.07 million as of December 31, 2019 and 2018, respectively, are maintained with EWBC. The Group also maintains cash and cash equivalents with EWBC.

On September 20, 2018, FLI acquired a lot from a third party seller. Total consideration is payable on installment basis until 2022 (presented as "Accounts payable and accrued expenses" in the Audited Financial Statements). On September 21, 2018, the third party seller entered into a Receivable Purchase Agreement with EWBC for the purchase of the remaining amounts receivable from FLI amounting to ₱3.79 billion, on a without recourse basis. The amounts receivable from FLI was sold to EWBC for a total consideration of ₱3.13 billion.

As of December 31, 2019, the amounts payable to Seller (effectively to EWBC) related to the above purchase of land amounted to ₱2.59 billion and is presented as part of accounts payable and accrued expenses in the statement of financial position.

b. Transactions with Ultimate Parent (ALG)

Transactions with the Group's ultimate parent company relates to sharing of common expenses.

c. Transactions with Parent Company (FDC)

The Parent Company charged FDC certain common expenses paid by the Parent Company on its behalf.

In 2009, Promax was appointed by FDC as the marketing agent to act for and on behalf of FDC in promoting the marketing and sale of the Beaufort project. Accordingly, FDC pays Promax a marketing fee equivalent to a certain percentage of the net selling price.

d. *Transactions with an Associate (FAI)*

‘Due from Associate’ include noninterest-bearing cash advances and various charges for management fees, marketing fees, share of expenses and commission charges. The account also includes dividend receivable amounting to ₱404.00 million and ₱384.00 million as of December 31, 2019 and 2018, respectively, declared by FAI both years 2019 and 2018.

e. *Transactions with Affiliates*

Transactions with affiliate relates to sharing of common expenses paid by the Parent Company on their behalf.

f. The compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱34.17 million, ₱32.83 million and ₱31.00 million in 2019, 2018 and 2017, respectively. Post-employment benefits of key management personnel amounted to ₱22.41 million, ₱21.00 million and ₱0.68 million in 2019, 2018 and 2017, respectively.

g. *Leases with related parties*

The company has several land lease transactions with related parties:

1. Mall lease with FAI

The Parent Company, as lessee, entered into a lease agreement with FAI on a portion of the land area occupied by the Festival Supermall and its Expansion. The lease term will expire on September 30, 2056.

2. FCMI lease with FMI

FCMI, a wholly owned subsidiary of the Parent Company, subleases the Mimosa Leisure Estate from FMI, an associate of the Parent Company. The original lessor is Clark Development Corporation. The lease term is fifty (50) years, renewable by another twenty-five (25) years upon mutual agreement by parties.

3. PDDC lease with FAI

PDDC, a 60% owned subsidiary of the Parent Company, leases Block 50 Lot 3-B-2, Northgate District from FAI. The lease term is twenty (20) years from the date on which the Chilled Water production plants starts supplying chilled water.

Effective January 1, 2019, the Group adopted PFRS 16 under the modified retrospective approach. Among others, the impact of the adoption for leases with related parties is the recognition of right of use assets amounting to ₱4,918.20 million and lease liability amounting to ₱5,120.03 million, as of January 1, 2019, and the recognition of depreciation expense of ₱127.41 million and interest expense of ₱441.29 million for the year ended December 31, 2019.

As of December 31, 2019, the amount included in lease liability payable to related parties is ₱5,293.50 million (see Note 15 in the Audited Financial Statements).

1.11. Intellectual Property

The “Filinvest” trademark was registered with the Intellectual Property Office (“IPO”) on September 15, 2011. “Filinvest” is the brand FLI uses and by which it is known to the public.

Below are FLI service marks registered with the IPO:

TRADEMARK	DATE OF REGISTRATION	TRADEMARK	DATE OF REGISTRATION
One Oasis	10 Dec 2009	Meridian Place	08 Sept 2016
One Oasis Ortigas	10 Dec 2009	Alta Spatial	30 Sept 2016
One Oasis Ortigas & Design	10 Dec 2009	Kembali Coast	30 Sept 2016
We Build the Filipino Dream (Slogan)	10 Dec 2009	The Tropics	30 Sept 2016
The Linear Makati & Design	12 Aug 2010	Maui Oasis	20 Oct 2016
Filinvest (New Logo)	15 Sept 2011	Ashton Fields	03 Nov 2016

TRADEMARK	DATE OF REGISTRATION	TRADEMARK	DATE OF REGISTRATION
Studio A	20 Dec 2012	Sandia Homes	24 Nov 2016
The Signature	17 Apr 2014	Valle Alegre	24 Nov 2016
Fortune Hill	22 May 2014	Valle Dulce	24 Nov 2016
Fora Rotunda Tagaytay	14 Aug 2014	Havila	08 Dec 2016
The Leaf	20 Nov 2014	Princeton Heights	08 Dec 2016
Vinia	20 Nov 2014	Asenso Village	29 Dec 2016
Citi di Mare	25 Dec 2014	Hampton Orchards	29 Dec 2016
One Binondo	12 Feb 2015	Tierra Vista	29 Dec 2016
I-Go	20 Feb 2015	Blue Isle	19 Jan 2017
Bali Oasis	26 Feb 2015	Palmridge	19 Jan 2017
Bali Oasis 2	26 Feb 2015	Cyberzone Properties,	16 Feb 2017
Citi di Mare (Logo and Tagline)	26 Feb 2015	Spring Heights	27 April 2017
Kembali	26 Feb 2015	The Enclave at Filinvest	27 Apr 2017
One Spatial	26 Feb 2015	Filinvest International	04 May 2017
Serulyan Mactan	26 Feb 2015	The Filinvest IT Zone	11 May 2017
Capri Oasis	05 Mar 2015	8 Spatial	22 June 2017
Timberland Heights (Horizontal Orientation)	14 May 2015	Ciudad de Calamba	06 July 2017
Timberland Heights (Stacked Orientation)	14 May 2015	Verde Spatial	06 July 2017
Kembali (Reversed Logo)	25 June 2015	One Filinvest	14 July 2017
The Glades	09 July 2015	Marina Town	30 July 2017
100 West	23 July 2015	The Levels	30 July 2017
Activa	13 Aug 2015	Marina Spatial	10 Aug 2017
The Veranda	27 Aug 2015	Grand Cenia Residences	17 Aug 2017
Studio 7	12 Nov 2015	Sanremo Oasis	17 Aug 2017
Umi Garden Suites	11 Feb 2016	East Spatial	24 Aug 2017
The Enclave Alabang	11 Feb 2016	Phuket Oasis	24 Aug 2017
Filinvest (Reversed Logo)	24 Mar 2016	Sorrento Oasis	24 Aug 2017
Filinvest Premiere	24 Mar 2016	Studio Zen	24 Aug 2017
Futura	24 Mar 2016	Austine Homes	14 Sept 2017
The Ranch	12 May 2016	Palm Estates	14 Sept 2017
The Prominence	26 May 2016	Filinvest Futura	07 Dec 2017
Aldea Real	07 July 2016	Filinvest Prestige	07 Dec 2017
Filinvest Technology Park	07 July 2016	Futura by Filinvest	07 Dec 2017
La Brisa Townhomes	07 July 2016	Prestige by Filinvest	07 Dec 2017
Montebello	07 July 2016	Brentville International	17 Dec 2017
Punta Altezza	07 July 2016	New Leaf	04 Jan 2018
Springfield View	07 July 2016	The Wood Estates	18 Jan 2018
The Glens	07 July 2016	Asiana Oasis	15 Feb 2018
Vista Hills	07 July 2016	Ventura Real	29 Mar 2018
Woodville	07 July 2016	Nature Grove	19 Apr 2018
Panglao Oasis	14 July 2016	Belize Aspire	19 Apr 2018
Amare Homes	04 Aug 2016	Southwind	12 July 2018
Nusa Dua	04 Aug 2016	Centro Spatial	02 Sept 2018
Pine View	04 Aug 2016	Laeuna de Taal	14 Feb 2019
Santoso Villas	04 Aug 2016	Amalfi	14 Feb 2019
Blue Palm Estate	11 Aug 2016	Futura East	02 Sept 2018
Bluegrass County	11 Aug 2016	Futura Tierra	02 Sept 2018
Pueblo Solana	11 Aug 2016	Manna East by Filinvest	04 Oct 2018
Summerbreeze	11 Aug 2016	Futura Vinta	02 June 2019
Savannah Fields	01 Sept 2016	Belize Oasis	02 June 2019
Park Spring	02 Nov 2017	Futura Centro	16 May 2019
Aspire by Filinvest	07 Dec 2017	venti-lite	08 Feb 2020
Filinvest Aspire	07 Dec 2017	Filinvest Gaia New Clark	08 Feb 2020

The Company has pending applications with the IPO for the following trademarks:

Eastbay Palawan
Studio City
Filinvest Cyberzone
Ecotechture
Columna
Studio N (trademark)
Studio N (tradenname)

The Company has likewise filed an application with the World Intellectual Property Office (WIPO) for the international registration of the “Filinvest” trademark under the Madrid Protocol. Accordingly, “Filinvest” is now registered in the following countries:

COUNTRY	DATE REGISTERED
Malaysia	04 Mar 2015
United States of America	08 Mar 2016
Qatar	15 May 2016
Kuwait	04 Sept 2016
United Arab Emirates	22 Mar 2017
Thailand	22 May 2017
Singapore	24 August 2017
Japan	22 June 2018
Taiwan	01 July 2018
Cambodia	19 July 2018
Hong Kong	24 Aug 2018
China	21 September 2018 (Class 37); 14 October 2018 (Class 42); 28 October 2018 (Class 42);
Korea	19 Nov 2018

1.12. Government and Environmental Regulations

The real estate business in the Philippines is subject to significant Government regulations over, among other things, land acquisition, development planning and design, construction and mortgage financing and refinancing.

After the project plan for subdivision is prepared, FLI applies for a development permit with the local government. If the land is designated agricultural land, FLI applies with the Department of Agrarian Reform (DAR) for a Certificate of Conversion or Exemption, as may be proper. A substantial majority of FLI’s existing landbank is subject to the DAR conversion process.

Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer’s financial, technical and administrative capabilities. Approvals must be obtained at both the national and local levels. Evidently, the Parent Company’s results of operations are expected to continue to be affected by the nature and extent of the regulation of its business, including the relative time and cost involved in procuring approvals for each new project, which can vary for each project.

The Parent Company is also subject to the application of the Maceda Law, which gives purchasers of real property on an installment basis certain rights regarding cancellations of sales and obtaining refunds from developers.

FLI believes that it has complied with all applicable Philippine environmental laws and regulations. Compliance with such laws, in FLI's opinion, is not expected to have a material effect on FLI's capital expenditures, earning or competitive position.

1.13. Employees and Labor

As of December 31, 2019, FLI had a total of 1,163 full-time employees. This includes 46 executives, 197 managers, 217 supervisors and 703 rank and file employees. Management believes that FLI's current relationship with its employees is generally good and neither FLI nor any of its subsidiaries have experienced a work stoppage or any labor related disturbance as a result of labor disagreements. None of FLI's employees or any of its subsidiaries belongs to a union. FLI currently does not have an employee stock option plan.

FLI anticipates that there will be no significant change in the number of its employees in 2020.

FLI provides managers, supervisors and general staff the opportunity to participate in both in-house and external training and development programs which are designed to help increase efficiency and to prepare employees for future assignments. FLI has also provided a mechanism through which managers and staff are given feedback on their job performance, which FLI believes will help to ensure continuous development of its employees. FLI also offers employees benefits and salary packages that it believes are in line with industry standards in the Philippines and which are designed to help it compete in the marketplace for quality employees.

1.14. Major Risk Factors

There are major risk factors that may affect the Parent Company or its operations. Property values in the Philippines are influenced by the general supply and demand of real estate as well as political and economic developments in the country. In the event new supply exceeds demand as a result of economic uncertainty or slower growth, political instability, or increased interest rates, the financial condition and results of operations of FLI will be materially affected.

Demand for, and prevailing prices of, developed land and house and lot units are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines and the amount of remittances received from overseas Filipino workers ("OFWs"). Demand for the Parent Company's housing and land developments is also affected by social trends and changing spending patterns in the Philippines, which in turn are influenced by economic, political and security conditions in the Philippines. The residential housing industry is cyclical and is sensitive to changes in general economic conditions in the Philippines such as levels of employment, consumer confidence and income, availability of financing for property acquisitions, construction and mortgages, interest rate levels, inflation and demand for housing.

The demand for the Parent Company's projects from OFWs and expatriate Filipinos may decrease as a result of the following possibilities, i.e. reduction in the number of OFWs, the amount of their remittances and the purchasing power of expatriate Filipinos. Factors such as economic performance of the countries and regions where OFWs are deployed, changes in Government regulations such as taxation on OFWs' income, and, imposition of restrictions by the Government/other countries on the deployment of OFWs may also affect the demand for housing requirements.

There are risks that some projects may not attract sufficient demand from prospective buyers thereby affecting anticipated sales. Stringent government requirements for approvals and permits of new projects may take substantial amount of time and resources. In addition, the time and the costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including unstable prices and supply of materials and equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems

or circumstances. Further, the failure by the Parent Company to substantially complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

The Parent Company's cost of sales is affected by volatility in the price of construction materials such as lumber, steel and cement. While the Parent Company, as a matter of policy, attempts to fix the cost of materials component in its construction contracts, in cases where demand for steel, lumber and cement are high or when there are shortages in supply, the contractors the Parent Company hires for construction or development work may be compelled to raise their contract prices. As a result, rising cost of any construction materials will impact the Parent Company's construction costs, and the price for its products. Any increase in prices resulting from higher construction costs could adversely affect demand for the Parent Company's products and the relative affordability of such products as compared to competitors' products. This could reduce the Parent Company's real estate sales.

The Parent Company is also exposed to risks associated with the ownership and operation of its investment properties. Financial performance of the Parent Company's leasing segment, could be affected by a number of factors, including:

1. the national and international economic climate;
2. changes in the demand for call center and other BPO operations as well as gaming operations in the Philippines and around the world;
3. trends in the Philippine retail industry, insofar as retail malls are concerned;
4. changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, environment, taxes and government charges;
5. the inability to collect rent due to bankruptcy of tenants or otherwise;
6. competition for tenants;
7. changes in market rental rates;
8. the need to periodically renovate, repair and re-let space and the costs thereof;
9. the quality and strategy of management; and,
10. FLI's ability to provide adequate maintenance and insurance.

On known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI, the Covid-19 global pandemic which started to occur in the Philippines in January of 2020 and accelerated by March has caused disruptions in the Company's operations. On March 15, the Philippine government implemented a "Community Quarantine" in Metro Manila. On March 16, 2020, the government expanded the scope with an "Enhanced Community Quarantine" in the entire Luzon which effectively restricted movement and mandated the temporary closure of non-essential shops and businesses. The company expects that these developments are unfavorable to the company's overall financial performance as follows:

1. Decline in presales for both the domestic and the OFW market
2. Decline in revenues from our retail operations as a result of decline in foot traffic and temporary suspension of mall operations except for outlets offering basic services like supermarkets, banks and healthcare centers, as mandated by the government.
3. Delay in the completion of housing and office and retail buildings
4. Pre-leasing and occupancy of new buildings will be lower than expected
5. Some tenants might reduce or in worst case, pre-terminate space to adopt a work-from-home scheme or other flexible working arrangements.
6. Possible cancellation of lease negotiations for either new space or expansion due to internal business decision of the client.

Item 2. PROPERTIES

2.1. Land Bank

Since its incorporation, the Parent Company has invested in properties situated in what the Parent Company believes are prime locations across the Philippines for existing and future housing and land development projects. It is important for the Parent Company to have access to a steady supply of land for future projects. In addition to directly acquiring land for future projects, the Parent Company has also adopted a strategy of entering into joint venture arrangements with landowners for the development of raw land into future project sites for housing and land development projects. This allows FLI to reduce its capital expenditures for land and substantially reduces the financial holding costs resulting from owning land for development.

Under the joint venture agreements, the joint venture partner contributes the land free from any lien, encumbrance, tenants or informal settlers and the Parent Company undertakes the development and marketing of the products. The joint venture partner is allocated either the developed lots or the proceeds from the sales of the units based on pre-agreed distribution ratio.

Potential land acquisitions and participation in joint venture projects are evaluated against a number of criteria, including the attractiveness of the acquisition price relative to the market, the suitability or the technical feasibility of the planned development. The Parent Company identifies land acquisitions and joint venture opportunities through active search and referrals.

As of December 31, 2019, the Parent Company had a land bank of approximately 1,961 hectares of raw land for the development of its various projects, including approximately 208 hectares of land under joint venture agreements, which the Parent Company's management believes is sufficient to sustain several years of development and sales.

Details of the Parent Company's raw land inventory as of December 31, 2019 are set out in the table below:

FLI Land Bank as of December 31, 2019				
Area in Hectares				
Location	Company Owned	Under Joint Ventures	Total	% to Total
Luzon				
Metro Manila	34.04	—	34.04	1.74%
Rizal	690.16	9.20	699.36	35.66%
Bulacan	252.06	—	252.06	12.85%
Bataan	12.27	—	12.27	0.63%
Pampanga	—	32.12	32.12	1.64%
Tarlac	1.94	—	1.94	0.09%
Pangasinan	5.90	—	5.90	0.30%
Cavite	299.43	58.83	358.26	18.27%
Laguna	242.67	0.71	243.38	12.41%
Batangas	45.59	42.07	87.66	4.47%
Sub-total	1,584.06	142.93	1,726.99	88.06%
Visayas				
Cebu	6.48	35.72	42.20	2.15%
Negro Oriental	51.04	—	51.04	2.60%
Negro Occidental	4.66	—	4.66	0.24%
Sub-total	62.18	35.72	97.90	4.99%
Mindanao				
Davao	5.16	29.69	34.85	1.78%
South Cotabato	101.32	—	101.32	5.17%
Sub-total	106.48	29.69	136.17	6.95%
Total	1,752.72	208.34	1,961.06	100.00%

2.2. Current Development Projects

The following are the most recently launched projects and projects with new phases and buildings:

PROJECT	TYPE	LOCATION
Amarilyo Crest	Horizontal	Rizal
Pineview	Horizontal	Cavite
Sandia	Horizontal	Batangas
Tierra Vista	Horizontal	Bulacan
The Grove	Horizontal	Rizal
Savannah Place	Horizontal	Cavite
Futura Homes Palm Estates	Horizontal	Bacolod
Futura Homes Mactan	Horizontal	Cebu
Futura Homes Iloilo	Horizontal	Iloilo
Futura Homes Koronadal	Horizontal	South Cotabato
Anila Park Residences	Horizontal	Rizal
Aria at Serra Monte	Horizontal	Rizal
The Prominence	Horizontal	Quezon City
Futura Homes Davao	Horizontal	Davao
New Fields at Manna	Horizontal	Rizal
Meridian Place	Horizontal	Cavite
Valle Dulce	Horizontal	Laguna
Ventura Real	Horizontal	Rizal
Claremont Expansion	Horizontal	Pampanga
Southwinds	Horizontal	Laguna
Futura Zamboanga	Horizontal	Zamboanga
Enclave	Horizontal	Muntinlupa
New Leaf	Horizontal	Cavite
Mira Valley	Horizontal	Rizal
Hampton Orchard	Horizontal	Pampanga
Futura Mira	Horizontal	Calamba
Futura Plains	Horizontal	Rizal
One Oasis Cebu	MRB	Cebu
One Oasis Cagayan de Oro	MRB	Cagayan de Oro
Panglao Oasis	MRB	Taguig
One Spatial	MRB	Pasig
San Remo	MRB	Cebu
Centro Spatial	MRB	Davao
One Spatial Iloilo	MRB	Iloilo
Marina Spatial	MRB	Dumaguete
8 Spatial	MRB	Davao
Maui Oasis	MRB	Manila
Alta Spatial	MRB	Valenzuela City
Bali Oasis	MRB	Pasig
Maldives Oasis	MRB	Davao
Sorrento Oasis	MRB	Pasig
Veranda	MRB	Davao
Futura East	MRB	Cainta
Centro Spatial	MRB	Manila
Belize	MRB	Muntinlupa
Activa	HRB	Quezon City
Levels	HRB	Alabang
Studio City	HRB	Alabang

On-going developments of the abovementioned projects are expected to require additional funds but FLI believes that it will have sufficient financial resources for these anticipated requirements, both from debt financing and generation from operations.

2.3. Investment Properties

FLI has the following operating strategic investment properties: Festival Supermall, Fora Mall, Main Square Molino, Il Corso, PBCom Tower, Northgate Cyberzone, EDSA Transcom Building, Cebu Cyberzone, Pasay Cyberzone (Bay Area) and Clark Mimosa Cyberzone.

FLI has currently several projects under development that will be rental assets when completed. Please refer to Section 1.5.2 for a detailed discussion of these properties.

2.4. Property and Equipment

FLI's corporate headquarters is located along EDSA, Mandaluyong City. It also owns a property in SMPC being used as sales training headquarters. FLI is also renting spaces for its sales offices in Quezon City, Rizal, Pampanga, Tarlac, Puerto Princesa City, Davao City, Butuan, Tagum, Cagayan de Oro, and Zamboanga City. The terms of the leases are usually for one year, and thereafter, the terms of the lease shall be on short term basis or upon the option of both parties, a new contract is drawn. The Parent Company does not intend to acquire properties for the next 12 months except as needed in the ordinary course of business.

Part of the PPE of the company are the tractor and equipment being used for construction works under supervision by DPI, and the plant for DCS as owned and operated by its subsidiary PDDC.,

Item 3. LEGAL PROCEEDINGS

The Company is subject to lawsuits and legal actions in the ordinary course of its real estate development and other allied activities. However, the Company does not believe that any such lawsuits or legal actions will have a significant impact on its financial position or the results of its operations. Noteworthy are the following cases involving the Company and its subsidiaries, Filinvest Land, Inc. ("FLI") and Pacific Sugar Holdings Corporation ("PSHC"), among others:

- a) *FLI vs. Abdul Backy Ngilay, et. al.*
G.R. No. 174715
Supreme Court

This is a civil action for the declaration of nullity of deeds of conditional and absolute sale of certain real properties located in Tambler, General Santos City covered by free patents and executed between FLI and the plaintiff's patriarch, Hadji Gulam Ngilay. The Regional Trial Court ("RTC") of Las Piñas City (Br. 253) decided the case in favor of FLI and upheld the sale of the properties. On appeal, the Court of Appeals rendered a decision partly favorable to FLI but nullified the sale of some properties involved. FLI filed a petition for review on certiorari to question that portion of the decision declaring as void the deeds of sale of properties covered by patents issued in 1991. The Supreme Court affirmed the decision of the Court of Appeals but declared with finality that FLI's purchase of sales patents issued in 1991 was void and ordered the Ngilays to return ₱14,000,000.00 to FLI. The Regional Trial Court issued a Writ of Execution dated February 16, 2015. To satisfy the monetary judgment in favor of FLI, four parcels of land owned by the Ngilays and covered by Transfer Certificates of Title ("TCT") Nos. P-6886, 147-2014005034, 147-2014000465, and 147-2014000468, were levied on execution and sold at public auction to FLI as highest bidder. The Sheriff's Certificate of Sale over the properties was registered with the Registry of Deeds of General Santos City. FLI filed a motion for the surrender of the certificates of titles of the Ngilays so that FLI's affidavit of consolidation of ownership can be annotated on the titles and new certificates of title will be issued in FLI's name.

This motion was partially granted; 3 titles, namely Transfer Certificates of Title (“TCT”) Nos. 147-2014005034, 147-2014000465, and 147-2014000468, are surrendered to the Register of Deeds of General Santos City but Transfer Certificate of Title (“TCT”) No. P-6886 was declared sale by the Sheriff invalid because the owner’s title was not one of the titles declared by the Supreme Court as invalid. The Sheriff was to look for another property of Ngilay for execution.

- b) *Republic of the Philippines vs. Rolando Pascual, et.al.*
SC- G.R. NO. 222949
Supreme Court

The National Government through the Office of the Solicitor General filed suit against Rolando Pascual, Rogelio Pascual, and FLI for cancellation of title and reversion in favor of the Government of properties subject of a joint venture agreement between the said individuals and FLI. The Government claims that the subject properties covering about 73.33 hectares are not alienable and disposable being forest land. The case was dismissed by the RTC of General Santos City (Branch 36) on November 16, 2007 for lack of merit. On appeal, the Court of Appeals reversed the Decision of the RTC and ordered the case to be remanded for a full-blown trial on the merits. FLI filed a Motion for Partial Reconsideration, which was denied by the CA. On April 4, 2016, FLI filed its Petition for Review with the Supreme Court, but the SC also affirmed the Decision of the CA remanding the case for reversion filed by the Republic of the Philippines to the RTC of General Santos City for further proceedings. In an Order dated September 18, 2018, the hearing was reset to March 19, 2019.

- c) *Antonio E. Cenon and Filinvest Land, Inc. vs. San Mateo Landfill, Mayor Rafael Diaz, Brgy. Pintong Bukawe, Director Julian Amador and the Secretary, Department of Environment and Natural Resources*
Civil Case No. 2273-09
Branch 75, Regional Trial Court, San Mateo, Rizal
CA-G.R. CV No. 107682
Court of Appeals, Manila

On February 9, 2009, FLI and its First Vice President, Engr. Antonio E. Cenon (“Plaintiffs”) filed an action for injunction and damages against the respondents to stop and enjoin the construction of a 19-hectare landfill in a barangay in close proximity to Timberland Heights in San Mateo, Rizal. Plaintiffs sought preliminary and permanent injunctive reliefs and damages and the complete and permanent closure of the dump site. After presenting evidence, plaintiffs rested their case. Defendant San Mateo Sanitary Landfill and defendant Mayor separately filed a Demurrer to Evidence. In an Order dated August 22, 2016, the Court granted both Demurrers to Evidence and dismissed the case for insufficiency of evidence. Plaintiffs filed a Notice of Appeal which was granted by the Regional Trial Court in an Order dated September 23, 2016. The Court of Appeals issued a Notice to File Brief dated November 3, 2016 which required Plaintiffs to file their Appellants’ Brief. On February 15, 2017, plaintiffs filed their Appellants’ Brief. San Mateo Sanitary Landfill filed its Brief dated April 7, 2017. Plaintiffs filed their Reply Brief on June 5, 2017. San Mateo Sanitary Landfill filed an Omnibus Motion for Leave to File Rejoinder and to Admit Rejoinder dated June 27, 2017. Pursuant to the October 20, 2017 Resolution of the Court of Appeals, plaintiffs filed their Comment on the Omnibus Motion on December 18, 2017. Meanwhile, the parties underwent mediation but the case was not settled. In an Order dated August 1, 2018, the Court of Appeals noted the Mediator’s Report that the parties were not able to reach settlement, noted the Omnibus Motion, and submitted the appeal for decision.

- d) *Manila Paper Mills International, Inc. vs. Filinvest Land, Inc., et al.*
Civil Case No. DC-721-17
Regional Trial Court
Branch 90, Dasmariñas City, Cavite

In its Complaint dated July 14, 2017, Manila Paper Mills International, Inc. (“MPMII”) claims it owns three parcels of land in Dasmariñas City, Cavite covered by TCT Nos. T-636128, T-636130 and T-636131 with the following respective areas: 79,999 square meters, 40,000 square meters, and

104,340 square meters, or a total area of 224,339 square meters. These areas allegedly overlap with FLI's lots which now form part of FLI's project, The Glens located in San Pedro Laguna. According to MPMII, plotting for The Glens conducted by a Licensed Geodetic Engineer through Google Maps revealed that portions of the project encroached on said MPMII properties for a total of 208,256 square meters. The Complaint prays for the cancellation of FLI's certificates of title that overlap with MPMII's as well as the payment of damages. MPMII also prayed for the issuance of a temporary restraining order or preliminary injunction to enjoin FLI from possessing, altering, transferring ownership, or disposing of the subject properties. MPMII subsequently amended its complaint to address issues raised by FLI in its first Motion to Dismiss. The main subject of the amendment was the change in the plaintiff from MPMII to "Trustees and Shareholders of MPMII."

In response to the amended complaint, FLI filed its second Motion to Dismiss, where FLI argued, among others, that: (a) the court has no jurisdiction over the amended complaint's prayer for injunctive relief; (b) the amended complaint should be dismissed because the original complaint lacks cause of action (because MPMII's corporate personality has ceased in 2004) and may not therefore be subject to amendment; (c) the correct filing fees were not paid and in view of its impropriety, the amendment circumvents the need for separate filing and payment of new docket fees.

During the proceedings, the court allowed MPMII to present evidence on its prayer for injunction even before the resolution of FLI's motions to dismiss which raised serious grounds. The Presiding Judge proceeded with the hearing of the latter's evidence without the presence and participation of FLI's counsel. Thus, FLI filed a Motion to Recuse which the Presiding Judge granted. In the meantime, the proceedings are suspended by the assignment of the case to another judge.

The case was then assigned to an Acting Presiding Judge and a hearing was set on January 23, 2019 for the cross-examination of MPMII's witnesses. FLI filed an Omnibus Motion to nullify the proceedings where MPMII presented the above-said evidence/witnesses, to resolve pending motions and to suspend further proceedings. An Order was issued which cancelled the hearing on January 23, 2019 and submitted the Motion to Dismiss for resolution.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There was no matter which was submitted to a vote of security holders in 2019.

Part II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY & RELATED STOCKHOLDER MATTERS

The shares of the Company were listed on the Philippine Stock Exchange (PSE) in 1993 under the symbol "FLI". The following table shows, for the periods indicated, the high, low and period end closing prices of the shares as reported in the PSE.

Period		High	Low	End
2019	4th Quarter	1.66	1.45	1.50
	3rd Quarter	2.05	1.56	1.57
	2nd Quarter	1.99	1.50	1.88
	1st Quarter	1.66	1.42	1.52
2018	4th Quarter	1.51	1.40	1.41
	3rd Quarter	1.55	1.40	1.43
	2nd Quarter	1.79	1.40	1.40
	1st Quarter	1.94	1.62	1.65

On 14 February 2020, FLI's shares closed at the price of Php1.41 per share. The number of shareholders of record as of said date was 5,645. Common shares outstanding as of 15 February 2020 is 24,249,759,506.

The top 20 Stockholders of FLI's common shares as of 15 February 2020 are as follows:

<u>NAME</u>	<u>NO. OF SHARES</u>	<u>% OF TOTAL</u>
1. Filinvest Development Corporation	15,681,457,023	64.67%
2. PCD Nominee Corporation (Non-Filipino)	4,580,020,604	18.89%
3. PCD Nominee Corporation (Filipino)	3,695,831,640	15.24%
4. Philippines International Life Insurance Co., Inc.	60,000,000	00.25%
5. Michael Gotianun	11,235,913	00.05%
6. Lucio W. Yan &/or Clara Y. Yan	10,687,500	00.04%
7. Joseph M. Yap &/or Josephine G. Yap	7,694,843	00.03%
8. Berck Y. Cheng	7,000,000	00.03%
9. Joseph M. Yap	6,444,115	00.03%
10. Executive Optical, Inc.	5,040,647	00.02%
11. Jonathan Dee Co	5,000,000	00.02%
12. R Magdalena Bosch	4,877,928	00.02%
13. Luis L. Fernandez	4,064,940	00.02%
14. Luis L. Fernandez Or Veronica P. Fernandez ITF Marco	4,064,940	00.02%
15. Luis Rodrigo P. Fernandez	4,064,940	00.02%
16. Luis L. Fernandez Or Veronica P. Fernandez ITF Carlo	4,064,940	00.02%
17. Enrique P. Fernandez	4,064,940	00.02%
18. Veronica P. Fernandez	4,064,940	00.02%
19. Team Gladiola, Inc.	3,828,000	00.02%
20. Emily Benedicto	3,468,750	00.01%

No securities were sold within the past three years which were not registered under the Revised Securities Act and/or the Securities Regulation Code ("Code").

The holder of 8,000,000,000 of preferred shares is FDC.

Recent Sale of Unregistered Securities

No securities were sold by FLI in the past three (3) years which were not registered under the Code.

Declaration of Dividends to Common Shareholders

In 2019, FLI declared cash dividends to all stockholders of record as of 22 May 2019 in the amount of Php0.0619 per share, broken down as follows: a) Regular Cash Dividend of Php0.0486 per share; (b) Special Cash Dividend of Php0.0132 per share. Payment date was set on 17 June 2019.

In 2018, FLI declared cash dividends to all stockholders of record as of 20 April 2018 in the amount of Php0.0618 per share, broken down as follows: a) Regular Cash Dividend of Php0.0469 per share; (b) Special Cash Dividend of Php0.0149 per share. Payment date was set on 14 June 2018.

In 2017, FLI declared cash dividends to all stockholders of record as of 21 May 2017 in the amount of Php0.0613 per share, broken down as follows: a) Regular Cash Dividend of Php0.0430 per share; (b) Special Cash Dividend of Php0.0183 per share. Payment date was set on 14 June 2017.

The declaration of dividends is contingent upon FLI's earnings, cash flow, financial condition, capital investment requirements and other factors (including certain restrictions on dividend declaration imposed by the terms of agreements to which FLI is a party).

Pursuant to the loan agreements entered into by the Company and certain financial institutions, the Company needs the lenders' prior consent in cases of cash dividend declaration.

Item 6. BOND ISSUANCES

On July 7, 2017, CPI issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱6.00 billion and term of five and a half (5.5) years due in 2023. The bonds carry a fixed rate of 5.05% per annum, payable quarterly in arrears starting on October 7, 2017.

These bonds require the Group to maintain certain financial ratios which include maximum debt-to-equity ratio of 2.0x; minimum current ratio of 2.0x; and minimum debt service coverage ratio (DSCR) of 1.0x (except for CPI bonds which requires maximum debt-to-equity ratio of 2.33x and DSCR of 1.1x). As of December 31, 2019 and 2018, the Group is not in breach of any of these debt covenants.

Item 7. MANAGEMENT DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

Plan of Operations for 2020

FLI's business strategy has placed emphasis on the development and sale of residential lots and housing units to lower and middle-income markets throughout the Philippines.

FLI expects to remain focused on core residential real estate development business which includes landed housing, medium-rise buildings (MRB) and high-rise condominium projects, residential farm estates, entrepreneurial communities, and leisure developments in response to the demands of the Philippine market.

In 2020, FLI intends to retain its dominant position as the leader in MRB projects by launching 7 new projects nationwide and 19 additional buildings of existing projects. Aside from the MRBs, FLI has pipelined 12 horizontal residential projects and 2 HRB projects.

As far as leasing business is concerned, the Parent Company continues to build its pipeline of leasing projects for both its retail and office-building portfolio to generate recurring revenues. For 2020, FLI plans to complete 5 office buildings located in Northgate Cyberzone in Filinvest City, Clark Mimosa, Quezon City and Ortigas Center; and 2 retail spaces in Makati and Quezon City. The Company is also expected to start leasing operations in its Innovation Park in Filinvest at New Clark City.

Results of Operations for 2019

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

For the year ended December 31, 2019, FLI's operating regular net income registered a year on year growth of 7.31% or ₱443.93 million from ₱6,075.87 million in 2018 to ₱6,519.80 million in 2019.

Revenues and other income

Total consolidated revenues went up by ₱3,468.12 million or 15.62%, from ₱22,205.19 million in 2018 to ₱25,673.31 million in 2019 due to higher rental and related services, and real estate sales.

Rental and related services increased by ₱1,400.48 million or by 24.97%, from ₱5,608.26 million in 2018 to ₱7,008.74 million in 2019. Filinvest Axis Tower 2, located in Northgate Cyberzone Alabang, was completed in 2019 adding 39,341 square meters of GLA to the office portfolio. FLI now operates 31 buildings totaling 523,902 square meters. For retail, FLI has 243,215 square meters GLA in the retail portfolio in 2019 from 242,127 square meters in 2018.

Real estate sales increased by ₱2,608.92 million or by 18.11%, from ₱14,404.20 million in 2018 to

₱17,013.12 million in 2019. Real estate sales booked during the current period broken down by product type are as follows: Middle Income 55% (inclusive of MRB and HRB); Affordable 32%; High-End 9%; Farm Estate 2%; Socialized and others 2%. The higher real estate sales can be attributed to higher percentage of completion for MRB and HRB, and higher completion of downpayments from 2018 sales.

Interest income decreased by ₱405.59 million or by 41.50%, from ₱977.29 million in 2018 to ₱571.70 million in 2019. The decrease was due to lower interest income derived from cash and cash equivalents and contract receivables as more buyers opt to avail of bank financing schemes instead of in-house payment schemes.

Other income decreased by ₱0.20 million or by 0.03% from ₱678.42 million in 2018 to ₱678.22 million in 2019. The decrease was due to lower income generated from service fees, processing fees, and management, leasing and other related fees.

Costs and Expenses

Cost of real estate sales increased by ₱1,514.66 million or by 18.16%, from ₱8,339.21 million in 2018 to ₱9,853.87 million in 2019. The higher cost was in line with the higher real estate sales booked during the year. Cost of rental services had a slight decrease of ₱2.10 million or 0.19%, from ₱1,130.51 million in 2018 to ₱1,128.41 million in 2019 due to the adoption of PFRS 16, *Leases* that resulted to the capitalization of right of use assets and recognition of related amortization expense with lower amount as compared to the supposed rent expense before the adoption.

Total operating expenses increased to ₱3,923.30 million in 2019 from ₱3,764.65 million in 2018. General and administrative expenses increased by ₱152.66 million or by 6.57% to ₱2,474.72 million in 2019 from ₱2,322.06 million in 2018. The increase was mainly due to the higher depreciation of property, plant and equipment, repairs and maintenance, insurance and other expenses. Selling and marketing expenses increased by ₱5.98 million or by 0.41%, from ₱1,442.59 million in 2018 to ₱1,448.57 million in 2019 due to higher broker's commission, service fees and direct costs of sales offices.

Interest and other finance charges

Interest and other finance charges increased by ₱1,300.53 million or by 109.06%, from ₱1,192.44 million in 2018 to ₱2,492.97 million in 2019 due to the increase in loan payables as of December 31, 2019, lower capitalization of borrowing costs to real estate inventories and recognition of interest expenses related to the accretion of lease liability resulting from the adoption of PFRS 16, *Leases*.

Provision for Income Tax

Total provision for income tax increased by ₱52.46 million or by 3.08% from ₱1,702.51 million in 2018 to ₱1,754.97 million in 2019. The provision for current income tax increased by ₱293.39 million or by 28.50%, from ₱1,029.49 million in 2018 to ₱1,322.88 million in 2019 due to higher taxable income as a result of increased revenues.

Provision for deferred income tax decreased by ₱240.93 million or by 35.80%, from ₱673.02 million in 2018 to ₱432.09 million in 2019 due to temporary differences between financial and taxable income.

Financial Condition

As of December 31, 2019, FLI's total consolidated assets increased to ₱173.70 billion from the ₱158.86 billion balance as of December 31, 2018, an increase by ₱14.84 billion or by 9.34%. The following are the material changes in account balances:

25.64% Decrease in Cash and cash equivalents

Although FLI's operations yielded higher operating net cash inflows directly attributable to higher net revenue, the total cash and cash equivalents declined as of December 31, 2019. The decline was due

to higher net cash outflows in investing activities related to the investment properties under construction.

34.30% Increase in Contract assets and receivables

The increase is in line with the higher revenue for the year and higher mix of cash sales.

22.26% Increase in Other receivables

Increase is mainly due to higher receivables amounting ₱0.52 billion from the leasing segment particularly CPI. Also, there was an overall increase in occupancy of FSI Mall Expansion, Fora Mall and Main Square for the year.

7.13% Decrease in Real estate inventories

The decrease is mainly due to the reclassification of some portion of land and land development costs related to the land located in Mandaluyong City and Cebu to investment property, pursuant to its current plan for the project which are intended to be for leasing.

13.27% Increase in Other current assets

The increase is mainly due to the increase in input taxes, creditable withholding taxes and cost to obtain contract this year. The increase in cost to obtain contract was due to the higher commission payments to brokers over what is due, as valued based on PFRS 15, Revenue from Contracts with Customers, adopted in 2018.

10.32% Increase in Investment in Associates

On December 26, 2019, CPI and FCI, wholly owned subsidiaries of FLI, entered into a Deed of Assignment to sell its ownership in Pro-Excel to FAI. The sale resulted in a loss of control in Pro-Excel and deconsolidation by the Group. The disposal resulted to the accounting for FLI's investment of ₱18.50 million in Pro-excel from an investment in subsidiary to an associate.

As of December 31, 2018, investment in CTI amounting to ₱51.30 million was reported under "Other noncurrent assets" due to pending SEC approval and issuance of amended articles of incorporation. In 2019, the 30% interest in CTI of FLI was classified as an investment in associate.

The investment in associate balance for FMI was also increased by ₱48.35 million upon adoption of PFRS 16, Leases.

The above increases was partly netted off by the lower equity in net earnings and dividend declared for the year amounting to ₱401.53 million and ₱404.00 million, respectively, as compared to the previous year's equity in net earnings and dividend declared amounting to ₱537.02 million and ₱678 million, respectively.

22.60% Increase in Investment property

The increase was mainly due to the additional construction costs of new buildings for office and commercial lease amounting to ₱8.16 billion. These are primarily located in Northgate Cyberzone in Alabang, Filinvest Mimosa, Makati City, Quezon City and Ortigas City,

14.20% Decrease in Property, plant and equipment

Apart from the annual depreciation of this asset, decrease is also attributable to the reclassification of TSNC's assets amounting to ₱0.78 billion to investment property after TSNC's change in business purpose from an exclusive recreational sports club to a profit commercial facility that accordingly changes the use of the asset from an owner-occupied property to a property for lease.

Right-of-use assets and Lease liabilities

Effective January 1, 2019, the Group adopted PFRS 16 Leases, under the modified retrospective approach which resulted in significant changes in the Group's accounting policy for leases. This resulted in the recognition of right of use assets amounting ₱5.40 billion and lease liability amounting to ₱5.68 billion for the Group, as of January 1, 2019, and the recognition of depreciation expense of

₱0.14 billion and interest expense of ₱0.49 billion for the Group, for the year ended December 31, 2019.

39.01% Decrease in Deferred income tax assets

The decrease is mainly attributed to the decrease in NOLCO by some of FLI subsidiaries by ₱41.78 million.

3.41% Increase in Other noncurrent assets

The increase was mainly due to the ₱0.18 billion, net of depreciation, additional construction costs of Filinvest Cebu Cyberzone (known as “BTO rights”) covered by the BTO agreement with the Government of Cebu.

7.06% Increase in Accounts payable and accrued expenses

The increase is mainly due to ₱0.71 billion increase in payables to contractors and suppliers for the construction activities.

45.41% Decrease in Contract liability

The decrease is mainly due to the higher contracts with buyers that qualified for revenue recognition for the year consistent with the higher real estate sales.

44.40% Decrease in Due to related parties

The decrease was due to payments of liabilities to affiliates for the Group’s share in expenses incurred in the regular course of business. The remaining unpaid charges are expected to be paid or liquidated within the following year.

33.74% Increase in Income tax payable

The increase was due to the higher taxable income for the year.

42.41% Increase in Loans payable

The increase in mainly due to the ₱15.4 billion newly availed loans offset by ₱4.84 billion repayments.

19.95% Decrease in Bonds payable

Decrease in bonds payable is mainly due to payment of ₱7.0 billion bond that matured in June 2019.

14.36 % Decrease in Retirement liabilities

The decrease was due to the ₱0.18 billion experience adjustment on the present value of defined benefit obligation.

8.33% Increase in Deferred income tax liabilities

The increase is mainly attributed to the increased excess of real estate revenue based on financial accounting policy over real estate revenue based on tax rules.

Performance Indicators

Financial Ratios	Particulars	2019	2018
Earnings per Share	Basic ¹	0.26	0.24
Earnings per Share	Diluted ²	0.26	0.24
Debt to Equity Ratio	<u>Notes Payable & Long-term Debt</u> <u>Total Stockholder's Equity</u>	0.72	0.89
Debt Ratio	<u>Total Liabilities</u> <u>Total Assets</u>	0.58	0.58
EBITDA to Total Interest Paid	<u>EBITDA</u> <u>Total Interest Paid</u>	3.71	3.12
Price Earnings Ratio	<u>Closing Price of Share</u> ³ <u>Earnings Per share</u>	5.77	5.88

¹Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

²Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

³Closing price of share used is the latest closing stock rate per PSE Edge as at December 31, 2019 and 2018, of ₱1.50 per share and ₱1.41 per share, respectively.

Other Disclosures

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

On known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI, the Covid-19 global pandemic which started to occur in the Philippines in January of 2020 and accelerated by March has caused disruptions in the Company's operations. On March 15, the Philippine government implemented a "Community Quarantine" in Metro Manila. On March 16, 2020, the government expanded the scope with an "Enhanced Community Quarantine" in the entire Luzon which effectively restricted movement and mandated the temporary closure of non-essential shops and businesses. The company expects that these developments are unfavorable to the company's overall financial performance as follows:

- a. Decline in presales for both the domestic and the OFW market
- b. Decline in revenues from our retail operations as a result of decline in foot traffic and temporary suspension of mall operations except for outlets offering basic services like supermarkets, banks and healthcare centers, as mandated by the government.
- c. Delay in the completion of housing and office and retail buildings
- d. Pre-leasing and occupancy of new buildings will be lower than expected
- e. Some tenants might reduce or in worst case, pre-terminate space to adopt a work-from-home scheme or other flexible working arrangements.

f. Possible cancellation of lease negotiations for either new space or expansion due to internal business decision of the client.

Another event which occurred in the first quarter of 2020 is the Taal volcano eruption which affected a few selected projects in the area. However, we don't expect this to have a major impact on FLI's financial condition.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from its continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Parent Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

The Group does not have any contingent liability or borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.

Results of Operations for 2018

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

For the year ended December 31, 2018, FLI's operating regular net income registered a year on year growth of 4.14% or P241.69 million from P5,834.18 million in 2017 to P6,075.87 million in 2018.

Revenues and other income

Total consolidated revenues went up by P1,935.53 million or 9.55% from P20,269.65 million in 2017 to P22,205.19 million in 2018. Increase in revenue is attributable to increase in rental and related services of 27.04% or P1,193.59 million, from P4,414.67 million in 2017 to P5,608.26 million in 2018. Filinvest Axis Tower 1, located in Northgate Cyberzone Alabang, Filinvest Cyberzone Cebu Tower 2, located in Salinas, Cebu, Filinvest Cyberzone Mimosa Building 1 and 2 Workplus Building; located in Mimosa Clark, and Filinvest Cyberzone Bay City Buildings A and D, located in Bay City, Pasay City, have been completed bringing the total adding 136,564 square meters of GLA to the office portfolio. FLI now operates 30 buildings totaling 484,564 square meters of GLA. For retail, FLI now has 242,127 square meters GLA to the retail portfolio.

Real estate sales increased by P655.77 million or by 4.77% from P13,748.42 million in 2017 to P14,404.20 million in 2018. Real estate sales booked during the current period broken down by product type are as follows: Middle Income 70% (inclusive of MRB and HRB); Affordable 18%; High-End 7%; Farm Estate 1%; Socialized and others 4%.

Interest income increased by P41.99 million or by 4.49% from P935.30 million in 2017 to P977.29 million in 2018. The increase was due to higher interest income derived from cash and cash equivalents and contracts receivable.

Other income decreased by P142.63 million or by 17.37% from P821.05 million in 2017 to P678.42 million in 2018. The decrease was due to lower income generated from forfeited reservations and collections.

Costs and Expenses

Cost of real estate sales increased by P287.30 million or by 3.57% from P8,051.90 million in 2017 to P8,339.21 million in 2018. The increase was mainly due to increase in the amount of real estate sales

booked during the current period. Cost of rental services on the other hand, increased by ₱131.45 million or 13.16% from ₱999.06 million in 2017 to ₱1,130.51 million in 2018 basically due to depreciation of newly completed investment properties.

Total operating expenses increased to ₱3,764.65 million in 2018 from ₱2,860.83 million in 2017.

General and administrative expenses increased by ₱442.93 million or by 23.57% to ₱2,322.06 million in 2018 from ₱1,879.14 million in 2017. The increase was due to operating expenses related to opening of new malls and BPO buildings for lease. Likewise, business permits and real property taxes increased as a result of higher revenues and completion of more buildings during the year. Also contributed to the increase was the higher salaries, wages and other benefits due to the full operation of DPI and recognition of service fees for the service rendered by Engie O&M to PDDC. Selling and marketing expenses increased by ₱460.90 million or by 46.95% from ₱981.69 million in 2017 to ₱1,442.59 million in 2018 mainly due to higher broker's commission released during the year and managed advertising costs.

Provision for Income Tax

Total provision for income tax increased by 16.53% from ₱1,460.98 million in 2017 to ₱1,702.51 million in 2018. Provision for current income tax increased to ₱1,029.49 million in 2018 from ₱705.04 million in 2017 or an increase of ₱324.46 million or by 46.02% due to higher taxable income as a result of increased revenues

Provision for deferred income tax decreased by ₱82.92 million or by 10.97% from ₱755.94 million in 2017 to ₱673.02 million in 2018 due to temporary differences between financial and taxable income.

Financial Condition

As of December 31, 2018, FLI's total consolidated assets stood at ₱158.86 billion, higher by 9.47% or by ₱13.74 billion than the ₱145.12 billion total consolidated assets (as restated) as of December 31, 2017. The following are the material changes in account balances:

15.27% Decrease in Cash and cash equivalents

Net outflows of cash mainly came from acquisition of Gintong Parisukat Realty & Dev't, Inc. (GPRDI) amounting to ₱1.90 billion and ₱1.30 billion as initial down payment for the acquisition of Cleon properties. Although the FLI's operations yielded a consolidated total of ₱11.27 billion during the year and new loan availments were made amounting to ₱5.50 billion, these were used mostly to fund new investments and construction projects amounting to ₱13.00 billion and dividend paid amounting to ₱1.50 billion.

37.05% Decrease in Contracts receivable

Contracts receivable decreased due to strong collections during the period. Majority of collections came from middle-income projects.

24.75% Increase in Other receivables

Increase is mainly due to higher receivables amounting ₱0.18 billion from CPI with the newly awarded contract of lease to new tenants for Filinvest 3, Vector 3, Axis T1, Cebu T1 & T2. On the other hand, FCI recorded an increase of ₱0.23 billion for new tenants of Filinvest Cyberzone Bay City Tower A & D opened in 2018. An increase of occupancy rate of FSI Malls and Expansion was also noted amounting to ₱0.09 billion from tenants and ₱0.05 billion receivable from newly operated rental/ commercial spaces of FCMI and FLTI.

29.74% Increase in Real estate inventories

Inventories increased due to rawland acquisitions including acquisition of land in Mandaluyong City amounting to ₱4.74 billion and ₱1.90 billion located in Paranaque City. Moreover, real estate inventories accelerated spending on saleable real estate project costs.

15.53% Decrease in Other current assets

The decrease is mainly due to the adoption of PFRS 15, a new accounting standard effective in the current fiscal year resulting to transition adjustment to commission expense from prepaid commission amounting to ₱0.41 billion.

3.36% Decrease in Investment in Associates

The decrease in investment is due to receipt of dividends amounting to ₱0.68 billion reduced by the share in net income from FAI and FMI amounting to ₱0.54 billion.

12.43% Increase in Investment property

The increase was mainly due to the additional construction costs of new buildings intended for office and commercial buildings for lease with a consolidated total of ₱6.10 billion before depreciation recorded for the year amounting to ₱0.63 billion. These are primarily located in Northgate Cyberzone in Alabang, Filinvest Cyberzone in Pasay Bay Area, Filinvest Mimosa, Fora Mall in Tagaytay, Main Square in Cavite, and Il Corso in Cebu.

12.46% Increase in Property, plant and equipment

The increase was primarily due to the ₱0.18 billion additional improvement made for DCS plant (District Cooling System) which supplies the chilled water for the Northgate Cyberzone buildings as well as the ₱0.34 billion for the acquisition of new field machineries and construction equipment for Dreambuilders Pro, Inc. .

76.71% Increase in Deferred tax assets

The increase was primarily due to additional advance rentals made amounting to ₱0.03 billion for new office leases opened in Alabang and Clark during the year.

2.76% Increase in Other noncurrent assets

The increase is mainly attributed to the construction costs of the Filinvest Cebu Cyberzone, classified under non-current other assets pursuant to BTO agreement with the Government of Cebu amounting to ₱0.06 billion, net of depreciation.

2.42% Increase in Accounts payable and accrued expenses

The increase is mainly due to ₱0.20 billion increase in payables to contractors and suppliers for the construction activities.

220.66% Increase in Other Non-current liabilities

The increase in this account was mainly due to the accrual for the purchase of land in Mandaluyong City amounting to ₱3.5 billion, additional reserve accounts due to ₱2.0 billion net increase in additional budget set-up for the year.

7.04% Increase in Loans payable

The increase is mainly due to the ₱5.5 billion newly availed loans offset by ₱3.87 billion repayments.

0.17% Increase in Bonds payable

The increase was due to bond issuance of ₱6.0 billion during the year by CPI, a 100% subsidiary of FLI.

9.05% Decrease in Due to related parties

The decrease was due to payments of the liability to affiliates for the Group's share in expenses incurred in the regular course of business. The remaining unpaid charges are expected to be paid or liquidated within the following year.

15.54 % Increase in Retirement liabilities

The increase was due to the accrual of current service cost and interest cost on the retirement fund for the year.

13.46% Increase in Deferred Income Tax Liabilities

The increase was mainly due to the additional capitalized borrowing cost on long-term loans amounting to ₱0.46 billion and other temporary differences between financial and taxable income.

Performance Indicators

<i>Financial Ratios</i>	<i>Particulars</i>	2018	2017
<i>Earnings per Share</i>	<i>Basic¹</i>	0.24	0.23
<i>Earnings per Share</i>	<i>Diluted²</i>	0.24	0.23
<i>Debt to Equity Ratio</i>	<i>Notes Payable & Long-term Debt</i>		
	<i>Total Stockholder's Equity</i>	0.89	0.91
<i>Debt Ratio</i>	<i>Total Liabilities</i>		
	<i>Total Assets</i>	0.58	0.56
<i>EBITDA to Total Interest Expense</i>	<i>EBITDA</i>		
	<i>Total Interest Expense</i>	3.12	3.07
<i>Price Earnings Ratio</i>	<i>Closing Price of Share</i>		
	<i>Earnings Per share</i>	5.88	8.02

¹Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

²Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Other Disclosures

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from its continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Parent Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

The Group does not have any contingent liability or borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.

Results of Operations for 2017

Year ended December 31, 2017 compared to year ended December 31, 2016

For the year ended December 31, 2017, FLI's operating regular net income registered a year on year growth of 9.03% or ₱483.39 million from ₱5,350.79 million in 2016 to ₱5,834.18 million in 2017.

Revenues and other income

Total consolidated revenues went up by ₱769.06 million or 3.94% from ₱19,500.59 million in 2016 to ₱20,269.65 million in 2017. Increase in revenue is attributable to 30.45% or ₱1,030.49 million increase in rental and other related services revenue from ₱3,384.18 million in 2016 to ₱4,414.67 million in 2017. Vector Three, located in Northgate Cyberzone Alabang has been completed and turned over, adding 36,000 square meters of GLA to the office portfolio. FLI now operates 22 buildings totaling 348,000 square meters of GLA. For retail, Fora Mall in Tagaytay and Main Square Mall in Bacoor were completed adding 50,000 square meters GLA to the retail portfolio.

Real estate sales slightly decreased by ₱507.50 million or by 3.56% from ₱14,255.92 million in 2016 to ₱13,748.42 million in 2017. Real estate sales booked during the current period broken down by product type are as follows: Middle Income 69% (inclusive of MRB and HRB); Affordable 20%; High-End 9%; Farm Estate 1%; Socialized and others 1%.

Interest income increased by ₱63.33 million or by 7.26% from ₱871.97 million in 2016 to ₱935.30 million in 2017. The increase was due to higher interest income derived from cash and cash equivalents and contracts receivable.

Costs and Expenses

Cost of real estate sales decreased by ₱270.37 million or by 3.25% from ₱8,322.27 million in 2016 to ₱8,051.90 million in 2017. The decrease was mainly due to decline in the amount of real estate sales booked during the current period. Cost of rental services on the other hand, increased by ₱256.57 million or 34.56% from ₱742.49 million in 2016 to ₱999.06 million in 2017 basically due to depreciation of newly completed investment properties.

Total operating expenses increased to ₱2,860.83 million in 2017 from ₱2,508.76 million in 2016. General and administrative expenses increased by ₱575.19 million or by 44.11% to ₱1,879.14 million in 2017 from ₱1,303.95 million in 2016. The increase was due to operating expenses related to opening of new malls and BPO buildings for lease. Likewise, business permits and real property taxes increased as a result of higher revenues and completion of more buildings during the year. Selling and marketing expenses decreased by ₱223.11 million or by 18.52% from ₱1,204.80 million in 2016 to ₱981.69 million in 2017 mainly due to lower broker's commission released during the year and managed advertising costs.

Provision for Income Tax

Total provision for income tax decreased by 2.84% from ₱1,503.62 million in 2016 to ₱1,460.98 million in 2017. Provision for current income tax increased to ₱705.04 million in 2017 from ₱385.79 million in 2016 or an increase of ₱319.25 million or by 82.75% due to higher taxable income generated from increased revenues

Provision for deferred income tax decreased by ₱361.88 million or by 32.37% from ₱1,117.82 million in 2016 to ₱755.94 million in 2017 due to temporary differences between financial and taxable income.

Financial Condition

As of December 31, 2017, FLI's total consolidated assets stood at ₱145.12 billion, higher by 12.13% or by ₱15.70 billion than the ₱129.43 billion total consolidated assets as of December 31, 2016. The following are the material changes in account balances:

55.47% Increase in Cash and cash equivalents

Inflows of cash mainly came from proceeds of loans and bonds during the year together with strong collection of receivables offset by expenditures on projects and acquisitions of land and property investments and debt repayments.

20.93% Decrease in Contracts receivable

Contracts receivable decreased due to strong collections during the period. Majority of collections came from middle-income projects.

31.97% Increase in Other receivables

Increase is mainly due to higher receivables from tenants due to new leasable areas, escalations of rents etc.

29.14% Increase in Real estate inventories

Inventories increased due to rawland acquisitions and accelerated spending on saleable real estate project costs.

16.67% Increase in Other current assets

Other current assets increased due to higher prepaid expenses and CWTs during the year.

16.74% Increase in Investment property

The increase was mainly due to the additional construction costs of new buildings intended for office and commercial buildings for lease. These are primarily located in Northgate Cyberzone in Alabang, Filinvest Cyberzone in Pasay Bay Area, Filinvest Mimosa, Fora Mall in Tagaytay, Main Square in Cavite, and Il Corso in Cebu.

28.85% Increase in Property, plant and equipment

The increase was primarily due to the completion of the DCS plant (District Cooling System) which supplies the chilled water for the Northgate Cyberzone buildings.

2.88% Increase in Other noncurrent assets

The increase in this account was mainly construction costs of the Filinvest Cebu Cyberzone, classified under non-current other assets pursuant to BTO agreement with the Government of Cebu.

51.87% Increase in Accounts payable and accrued expenses

The increase in this account was mainly due to the accrual for the purchase of rawland and payables to contractors and suppliers for project constructions.

4.69% Decrease in Loans payable

The increase in mainly due to the ₱3.23 billion newly availed loans offset by ₱4.37 billion repayments

20.77% Increase in Bonds payable

The increase was due to bond issuance of ₱6.0 billion during the year by CPI, a 100% subsidiary of FLI.

18.23% Decrease in Due to related parties

The decrease was due to payments of the liability to affiliates for the Group's share in expenses incurred in the regular course of business. The remaining unpaid charges are expected to be paid or liquidated within the following year.

15.74 % Increase in Retirement liabilities

The increase was due to the accrual of the current service cost and interest cost to the retirement fund for the year.

17.33% Increase in Deferred Income Tax Liabilities

The increase was mainly due to the additional capitalized borrowing cost on long-term loans and other temporary differences between financial and taxable income.

Performance Indicators

<i>Financial Ratios</i>	<i>Particulars</i>	2017	2016
<i>Earnings per Share</i>	<i>Basic¹</i>	0.23	0.22
<i>Earnings per Share</i>	<i>Diluted²</i>	0.23	0.22
<i>Debt to Equity Ratio</i>	<i><u>Notes Payable & Long-term Debt</u></i> <i>Total Stockholder's Equity</i>	0.91	0.90
<i>Debt Ratio</i>	<i><u>Total Liabilities</u></i> <i>Total Assets</i>	0.56	0.54
<i>EBITDA to Total Interest Expense</i>	<i><u>EBITDA</u></i> <i>Total Interest Expense</i>	3.07	3.16
<i>Price Earnings Ratio</i>	<i><u>Closing Price of Share</u></i> <i>Earnings Per share</i>	8.02	6.95

¹Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

²Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Other Disclosures

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI.

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from its continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Parent Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

The Group does not have any contingent liability or borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT ON ACCOUNTING AND FINANCIAL DISCLOSURE

SyCip, Gorres, Velayo & Co (SGV) has been the duly appointed independent auditors for the years covered by this report.

SGV has been recommended for election as external auditor for the year 2019. FLI, in compliance with SRC Rule 68(3)(b)(iv) relative to the five-year rotation requirement of its external auditors, has designated Mr. Michael C. Sabado as its engagement partner starting CY 2019. Thus, Mr. Sabado is qualified to act as such until year 2023. The representatives of SGV are expected to be present at the annual meeting where they will have the opportunity to make a statement if they desire to do so. They are expected to be available to respond to appropriate questions at the meeting.

There has been no disagreement with FLI's independent accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND PRINCIPAL OFFICERS OF THE REGISTRANT

Jonathan T. Gotianun <i>Chairman of the Board</i>	Mr. Gotianun, 66, Filipino, was first elected as a Director of FLI on 17 June 1994. He also serves as the Chairman of the Board of Directors of FDC and East West Banking Corporation (“EWBC”), both publicly-listed companies. He is also the President of Davao Sugar Central Co., Inc. and Cotabato Sugar Central Co., Inc., and the Chairperson of the Board of Directors of FDC Utilities, Inc. (“FDCUI”) and its subsidiary power companies. He served as Director and Senior Vice President of Family Bank & Trust Co. until 1984. He obtained his Master’s Degree in Business Administration from Northwestern University in 1976.
Lourdes Josephine Gotianun-Yap <i>President and Chief Executive Officer</i>	Mrs. Yap, 64, Filipino, was first elected as a Director of FLI on 24 November 1989. Mrs. Yap, who was elected as the President and CEO of FLI on 31 October 2012, is also a Director and the President and CEO of FDC, a publicly-listed company, and a Director in FDCUI, Filinvest Alabang, Inc. (“FAI”), Cyberzone Properties, Inc. (“CPI”) and EWBC, a publicly-listed company. She obtained her Master’s Degree in Business Administration from the University of Chicago in 1977.
Mercedes T. Gotianun <i>Chairperson Emerita</i>	Mrs. Gotianun, 91, Filipino, served as a Director of FLI from 1989 to 2019 and its Chief Executive Officer from 1997 to 2007. She also served as a Director of FDC from 1980 to 2019. She is also a Director of East West Banking Corporation (“EWBC”), a publicly-listed company, and a Director in Filinvest Alabang, Inc. (“FAI”), Pacific Sugar Holdings Corporation (“PSHC”), FDC Utilities, Inc. (“FDCUI”) and its subsidiary power companies. She obtained her college degree from the University of the Philippines.
Andrew T. Gotianun, Jr. <i>Director</i>	Mr. Gotianun, 68, Filipino, was first elected as a Director of FLI on 24 November 1989. He is also a Director of FDC, a publicly-listed company, and a Director in FAI and FDCUI. He was elected Chairperson of the Board of Timberland Sports and Nature Club, Inc. (“TSNC”) in 2017. He served as a director of Family Bank and Trust Co. from 1980 to 1984. He obtained his Bachelor of Science (Major in Accounting) degree from Republican College in 1981.
Michael Edward T. Gotianun <i>Director</i>	Mr. Gotianun, 62, Filipino, was first elected as a Director of FLI on 08 May 2015. He is also a Director of FDC, a publicly-listed company, FAI and Festival Supermall, Inc. He served as the general manager of Filinvest Technical Industries from 1987 to 1990 and as loans officer at Family Bank from 1979 to 1984. He obtained his Bachelor’s Degree in Business Management from the University of San Francisco in 1979.
Efren C. Gutierrez <i>Director</i>	Mr. Gutierrez, 84, Filipino, was a Director of FLI from 1994 to 2001, and was re-elected to FLI’s Board in 2006. He was first elected as a Director of FLI on 17 June 1994. He served as the President of FAI from 1999 to 2005. He is currently the Chairperson of the Board of The Palms Country Club, Inc. (“TPCCI”) He is not a Director of any other publicly-listed company. He obtained his Bachelor of Laws degree from the University of the Philippines.
Francis Nathaniel C. Gotianun <i>Director</i>	Mr. Gotianun, 36, Filipino, was first elected as a director of FLI on 22 April 2016. He is the Senior Vice President of Filinvest Hospitality Corporation, a subsidiary of FDC, the primary role of which is to evaluate, plan, develop and optimize potential and current hospitality investments of the Filinvest Group. He serves as a director of Filinvest Mimosa, Inc. and as the President and CEO of TPCCI. He is not a Director of any other publicly-listed company. He obtained his Bachelor’s Degree in Commerce from the University of Virginia in 2005 and his Master’s in Business Administration degree in IESE Business School – University of Navarra in 2010.
Val Antonio B. Suarez <i>Lead Independent Director</i>	Mr. Suarez, 61, Filipino, was first elected as an independent director of FLI on 08 May 2015. He is also an independent director of FDC and Lepanto Consolidated Mining Company, both publicly-listed companies. He is also an independent director of CPI. He is the Managing Partner of the Suarez & Reyes Law Offices and was the former President and Chief Executive Officer of The Philippine Stock Exchange. Mr. Suarez is a member of the Integrated Bar of the Philippines (Makati Chapter) and New York Bar. He obtained his Bachelor of Laws degree from the Ateneo de Manila University School of Law and a Master of Laws degree from Georgetown University Law Center.

Ernesto S. De Castro <i>Independent Director</i>	Mr. De Castro, 73, Filipino, was first elected as an independent director of FLI on 22 April 2019. He is the President of ESCA, Incorporated since July 1993 and a member consultant of the Dispute Adjudication Agreement of the Millenium Challenge Account. He is not a Director of any other publicly-listed company. He graduated from the University of the Philippines Diliman in 1967 with a bachelor's degree in Civil Engineering and obtained his Masters of Engineering in the same university in 1968. He obtained Doctor of Philosophy in Civil Engineering (Major in Structures) in Lehigh University in 1975.
Gemilo J. San Pedro <i>Independent Director</i>	Mr. San Pedro, 65, Filipino, was first elected as an independent director of FLI on 17 July 2019. He has 38 years of experience in public accounting and business advisory services. Prior to his retirement on 30 June 2015, he served various leadership roles at SyCip Gorres Velayo & Co. (SGV & Co.). He was a partner in SGV & Co. from 1991 to 2015 and Professional Practice Director and Quality and Risk Management Leader from 2004 to 2015. He is not a Director of any other publicly-listed company. He finished his Bachelor of Science in Commerce-Major in Accounting degree at Rizal Memorial Colleges, Davao City, in 1976. He obtained his Master of Business Administration, concentration in Finance and International Business, at the Graduate School of Business, New York University, (now Stern Graduate School) USA, in 1983.
Nelson M. Bona <i>Compliance Officer</i>	Mr. Bona, 69, Filipino, was appointed as FLI's Chief Finance Officer in January 2007 and as its Compliance Officer in May 2018. He is also the Executive Vice President, Treasurer and Chief Finance Officer of FDC. He was formerly an Executive Vice President of EWBC and Managing Director of Millenia Broadband Communications, Inc. and Filinvest Capital, Inc.
Ana Venus A. Mejia <i>First Senior Vice President, Treasurer, Chief Finance Officer and Chief Risk Officer</i>	Ms. Mejia, 54, Filipino, has been with the Filinvest Group for 24 years and has served the Group in various capacities. She concurrently serves as CFO/Treasurer of FAI, FSI, FAC, CPI. She is a Certified Public Accountant and a magna cum laude graduate of Pamantasan ng Lungsod ng Maynila. She obtained her Master's Degree from the Kellogg School of Management of Northwestern University and the School of Business and Management at the Hong kong University of Science and Technology.
Sharon P. Pagaling-Refuerzo <i>Corporate Secretary and Corporate Information Officer</i>	Atty. Pagaling-Refuerzo, 40, Filipino is concurrently Senior Assistant Vice President of the Corporate Advisory Services of the Legal Department of FLI. She is also the Corporate Secretary of FDC, CPI, TPCCI and Timberland Sports and Nature Club, Inc., as well as Corporate Secretary of various companies of the Group. Admitted to the Philippine Bar in 2006, she holds an A.B. Philosophy degree, cum laude, from the University of the Philippines and a law degree from San Beda College.
Tristaneil Las Marias <i>Executive Vice President and Chief Strategy Officer</i>	Mr. Las Marias, 44, Filipino, is the Executive Vice President and Chief Strategy Officer of FLI. He started in 1997 as Head of Regional Projects and went on to hold a higher position as Senior Vice President and Cluster Head for Visayas and Mindanao projects as well as Southwest and Central Luzon. He obtained his Bachelor of Arts, Major in Management Economics degree from Ateneo de Manila University
Vince Lawrence Abejo <i>First Senior Vice President and Chief Sales and Marketing Officer</i>	Mr. Abejo, 47, Filipino, is the Chief Sales and Marketing Officer of FLI. He has twenty-two (22) years combined experience in sales and marketing, strategy and corporate affairs and general management. He has held various key marketing positions in the real estate industry as well as across different industries – FMCG, telecoms, tobacco and healthcare and geographies (Philippines, Switzerland, Malaysia and Vietnam). He graduated from the University of the Philippines (Diliman), with a degree in BS Administration on 1994 and completed an Advanced Management Program from Harvard Business School in 2012.
Joselito Fontejon Santos <i>Senior Vice President and Head of High Rise Buildings (HRB), Niche Market, Mixed Use and Retail Business</i>	Mr. Santos, 55, Filipino, is the Head of High Rise Buildings (HRB), Niche Market, Mixed Use and Retail Business. Prior to joining Filinvest, he worked with several property developers such as Ortigas & Co., Ayala Land, Rockwell, Moldex, and a subsidiary of a Malaysian conglomerate. He graduated from De La Salle University with a degree in Bachelor of Science in Mechanical Engineering in 1984 and a Masters degree in Business Management from the Asian Institute of Management in 1990.
Francis V. Ceballos <i>Senior Vice President and Business</i>	Mr. Ceballos, 53, Filipino, joined FLI last 2010 and is currently the Senior Vice President and Business Group Head focusing on Northeast Luzon areas. He

<i>Group Head</i>	graduated from Ateneo de Manila University with a degree in Management Engineering and obtained his MBA from the Asian Institute of Management.
Winnifred H. Lim <i>Senior Vice President and Chief Technical Planning Officer</i>	Engr. Lim, 55, Filipino, is the Senior Vice President and Chief Technical Planning Officer of FLI. He started as the company's Engineering Head last 2000 and currently leads Engineering, Architecture, Planning and Design, Survey, and Special Projects. He obtained his Master's Degree in Structural Engineering at the University of the Philippines Diliman.

The members of the Nomination Committee of FLI are Efren C. Gutierrez (Chair), Lourdes Josephine Gotianun Yap, Val Antonio B. Suarez (Independent Director), Gemilo S. San Pedro (Independent Director) and Rizalangela L. Reyes. Ms. Reyes sits in the committee in an ex-officio capacity as the head of FLI's Human Resources Department.

The Audit and Risk Management Oversight Committee of FLI is composed of Gemilo S. San Pedro (Chair/Independent Director), Val Antonio B. Suarez (Independent Director), Jonathan T. Gotianun and Efren C. Gutierrez.

The directors of FLI are elected at the annual stockholders' meeting to hold office for one (1) year and until their respective successors have been duly appointed or elected and qualified. Officers and committee members are appointed or elected by the Board of Directors typically at its first meeting following the annual stockholders' meeting, each to hold office until his successor shall have been duly elected or appointed and qualified.

There is no person who is not an executive officer of the Parent Company who is expected to make a significant contribution to the business. The Parent Company, however, engages the regular services of consultants. At December 31, 2019, the Parent Company had 7 consultants in the area of business development, marketing, planning and design and construction management.

Except as discussed in section 1.10, there are no transactions or any proposed transactions during the last two years, to which the Parent Company was or is to be a party, in which any director or officer, any nominee for election as a director, any security holder or any member of the immediate family or any of the persons mentioned in the foregoing had or is to have a direct or indirect material interest.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

Except for the following cases, none of the members of FLI's Board nor its executive officers are involved in any major criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to December 31, 2019, nor have they been found by judgment or decree to have violated securities or commodities laws and enjoined from engaging in any business, securities, commodities or banking activities: (a) criminal cases filed in 2007 before the DOJ in I.S. Nos. 2007-001 and 2007-011 and which were dismissed by the DOJ on 26 March 2009 and 07 April 2009, respectively; (b) criminal complaints in the Prosecutor's Office (filed against certain FLI officers) arising from alleged unlawful collection and application of subdivision dues and other charges being collected by a homeowners' association which was dismissed on 23 January 2012, and (c) the complaint for estafa filed by Manila Paper Mills International, Inc. ("MPMII") with the Office of the City Prosecutor of Dasmariñas, Cavite against certain directors and an officer of FLI, which was dismissed, although MPMII filed a Petition for Review before the Secretary of Justice

Item 10. EXECUTIVE COMPENSATION

The aggregate compensation paid or incurred during the last two fiscal years and the estimate for this year are as follows:

(a) Name and Principal Position	(b) Year	(c) Salary (Php)	(d) Bonus (Php)	(e) Other Annual Compensation	TOTAL
Lourdes Josephine Gotianun Yap <i>(President and Chief Executive Officer)</i> Tristaneil D. Las Marinas <i>(Executive Vice President, Chief Strategy Officer)</i> Ana Venus A. Mejia <i>(First Senior Vice President, Property Business Chief Finance Officer, Treasurer and Chief Risk Officer)</i> Francis V. Ceballos <i>(Senior Vice President)</i> Vince Lawrence L. Abejo <i>(First Senior Vice President, Chief Sales and Marketing Officer)</i>					
CEO and top four (4) highest compensated officers	2020 - Estimated	24.48Mn	8.80Mn	-	33.28Mn
	2019	23.31Mn	8.38Mn	-	31.69Mn
	2018	25.44Mn	7.10Mn	-	32.54Mn
All officers and directors as a group unnamed	2020 - Estimated	18.09Mn	4.61Mn	-	22.70Mn
	2019	17.23Mn	4.39Mn	-	21.62Mn
	2018	47.21Mn	12.73Mn	-	59.94Mn

Except for a per diem of ₱50,000 being paid to each director for every meeting attended, there are no other arrangements for the payment of compensation or remuneration to the directors in their capacity as such.

There is no action to be taken at the annual meeting of the stockholders on April 17, 2020 with respect to any bonus, profit sharing or other compensation plan, contract or arrangement, and pension or retirement plan, in which any director, nominee for election as a director, or executive officer of FLI will participate. Neither is there any proposed grant or extension to any such person of any option, warrant or right to purchase any securities of FLI.

Item 11. Security Ownership of Certain Beneficial Owners and Management

11.1. Security Ownership of Certain Beneficial Owners as of December 31, 2019:

Title of Class of Securities	Name/ Address of Record Owner and Relationship with FLI	Name of Beneficial Owner/Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Preferred	Filinvest Development Corporation¹ The Beaufort, 5 th Avenue corner 23 rd Street, Bonifacio Global City, Taguig City, Metro Manila	Same as the Record Owner	Filipino	8,000,000,000	100%
Common	Filinvest Development Corporation The Beaufort, 5 th Avenue corner 23 rd Street, Bonifacio Global City, Taguig City, Metro Manila	Same as the Record Owner	Filipino	15,681,457,023	64.67%
Common	PCD Nominee Corporation (Non-Filipino) G/F, Philippine Stock Exchange Tower, Ayala Avenue, Makati City	Invesco Hong Kong Limited (more than 5%)	Non-Filipino	4,437,589,886	18.30%
Common	PCD Nominee Corporation (Filipino) G/F, Philippine Stock Exchange Tower, Ayala Avenue, Makati City	(No single shareholder owns at least 5% of total shares)	Filipino	3,838,423,424	15.83%

Total number of shares of all record and beneficial owners as a group is 8,000,000,000 preferred shares representing 100% of the total outstanding preferred shares, and 24,249,759,506 common shares representing 100% of the total outstanding common shares.

Ms. Josephine G. Yap is usually appointed by Filinvest Development Corporation (“FDC”) as its representative with authority to vote FDC’s shares in stockholders’ meetings of FLI.

¹ Mrs. Lourdes Josephine Gotianun-Yap is typically appointed by Filinvest Development Corporation (“FDC”) as its representative, with authority to vote FDC’s shares in stockholders’ meetings of FLI

11.2. Security Ownership of Management as of December 31, 2019

Title of Class of Securities	Name	Amount and Nature of Ownership D= direct I = Indirect	Citizenship	Percentage of Ownership
Common	Mercedes T. Gotianun	1 (Direct) 1,554 (Indirect)*	Filipino	0.00% (D) 0.00% (I)
Common	Andrew T. Gotianun, Jr.	406,586(D) 3,371,995 (I)*	Filipino	0.0017% (D) 0.04% (I)
Common	Lourdes Josephine Gotianun Yap	7,694,934(D)** 40,007,669(I)***	Filipino	0.0317% 0.18%
Common	Jonathan T. Gotianun	61(D) 384,313 (I) ****	Filipino	0.00% 0.00%
Common	Michael Edward T. Gotianun	11,235,928(D) 50,501,501 (I)*	Filipino	0.0463% (D) 0.58% (I)
Common	Efren C. Gutierrez	13,083(D) 802 (I)*	Filipino	0.0001% (D) 0.00% (I)
Common	Francis Nathaniel C. Gotianun	32,518(D) 0 (I)	Filipino	0.0001% (D) 0.00% (I)
Common	Val Antonio B. Suarez	1(D) 1(I) *	Filipino	0.00%
Common	Ernesto S. De Castro	1(D) 0 (I)	Filipino	0.00%
Common	Gemilo J. San Pedro	1(D) 0 (I)	Filipino	0.00%
Common	Luis L. Fernandez	4,064,940 (D) 369,960 (I)*	Filipino	0.0168% (D) 0.00% (I)
Common	Nelson M. Bona	0 (D) 24,664 (I)*	Filipino	0.00%
Common	Ana Venus A. Mejia	0 (D) 200,000 (I)	Filipino	0.00%
N.A.	Tristaneil D. Las Marias	0	Filipino	N.A.
N.A.	Vince Lawrence Abejo	0	Filipino	N.A.
N.A.	Francis V. Ceballos	0	Filipino	N.A.
N.A.	Joselito Fontejon Santos	0	Filipino	N.A.
Common	Winnifred H. Lim	0 (D) 1,026,563 (I)	Filipino	0.00% 0.0042%
N.A.	Reynaldo Juanito S. Nieva II	0	Filipino	N.A.

* Shares of stock in Filinvest Development Corporation

** Includes shares of stock in Filinvest Land, Inc. under the name Joseph &/or Josephine Yap

*** Includes shares of stock in Filinvest Development Corporation under the name Joseph &/or Josephine Yap

**** Includes shares of stock in Filinvest Development Corporation

Total ownership of all directors and officers as a group as of 29 February 2020 is 0.20% of the total issued and outstanding common shares of stock.

No person holds more than 5% of the common stock under a voting trust or similar agreement. There has been no change in control of FLI since the beginning of last year. There were no matters submitted to a vote of the security holders during the fourth quarter of the calendar year covered by this report.

11.3. Voting Trust Holders of 5% or more

There are no persons holding 5% or more of a class of shares under any voting trust or similar agreement.

11.4. Changes in Control

There are no arrangements that may result in change in control of the Parent Company.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Parent Company and its subsidiaries, in their normal course of business, have certain related party transactions with affiliates principally consisting of advances and intercompany charges.

Please refer to the Detailed Discussion on the Parent Company's Subsidiaries, Joint Ventures, Affiliate and Related Party Transactions in Section 1.3, 1.4, 1.5 and 1.10, respectively.

PART IV – COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

Compliance with Best Practices on Corporate Governance

For the year 2019, FLI substantially complied with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) regulatory requirements. It is also in compliance with its Revised Manual for Corporate Governance. In particular, your Company wishes to highlight the following: (a) the election of three (3) independent directors to the Board; (b) the appointment of members of the Executive Committee, the Audit and Risk Management Oversight Committee, the Nominations Committee, the Compensation Committee, the Technical Committee and the Related-Party Transaction and Corporate Governance Committee; (c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities as such directors; (d) the adoption of the Related Party Transaction Policy; (e) the submission to the SEC of reports and disclosures required under the Securities Regulation Code; (f) FLI's adherence to national and local laws pertaining to its operations; and (g) the observance of applicable accounting standards by FLI.

In order to keep abreast of best practices in Corporate Governance, the members of the Board and top management have attended seminars on corporate governance initiated by duly accredited institutions. FLI constantly reviews its Corporate Governance practices and welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors.

Board of Directors

Leading the practice of good Corporate Governance is the Board of Directors. Your Board of Directors is firmly committed to the adoption of and compliance with the best practices in Corporate Governance as well as the observance of all relevant laws, regulations and ethical business practices.

Nominations and Voting for the Board of Directors

The members of the Board are elected during the annual stockholders' meeting. The stockholders of FLI may nominate individuals to be members of the Board of Directors.

The Nomination Committee receives nominations for independent directors as may be submitted by the stockholders. After the deadline for the submission thereof, the Nomination Committee meets to consider the qualifications as well as grounds for disqualification, if any, of the nominees based on the criteria set forth in FLI's Revised Manual on Corporate Governance and the Securities Regulation Code. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. The Nomination Committee shall then prepare a Final List of Candidates enumerating the nominees who passed the screening. The name of the person or group of persons who recommends nominees as independent directors shall be disclosed along with his or their relationship with such nominees.

Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent directors. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the annual meeting.

The conduct of the election of independent directors shall be in accordance with FLI's Manual on Corporate Governance. In 2008, FLI filed with the SEC its application for the amendment of the by-laws to include the procedure that will govern the nomination and election of independent directors. This procedure is consistent with FLI's Revised Manual on Corporate Governance and Rule 38 of the Securities Regulation Code. The approval by the Commission on said application was issued on April 8, 2009. The power of the Board to amend the By-Laws has been delegated by the stockholders representing two-thirds (2/3) of FLI's outstanding capital stock in an annual meeting of said stockholders on May 27, 1994.

It shall be the responsibility of the Chairman of the annual meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the annual meeting. Specific slots for independent directors shall not be filled up by unqualified nominees. In case of failure of election for independent directors, the Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy.

A stockholder may vote such number of shares for as many persons as there are directors to be elected. He may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of FLI multiplied by the whole number of directors to be elected.

The directors of FLI are elected at the annual stockholders' meeting, to hold office until their respective successors have been duly appointed or elected and qualified. Vacancies in the Board occurring mid-term are filled as provided in the Corporation Code and FLI's Revised Manual on Corporate Governance. Officers and committee members are appointed or elected by the Board of Directors typically at its first meeting following the annual stockholders' meeting, each to hold office until his successor shall have been duly elected or appointed and qualified.

Independent Directors

Before the annual meeting, a stockholder of FLI may nominate individuals to be independent directors, taking into account the following guidelines:

- A. "Independent director" means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgement in carrying out his responsibilities as director in any corporation that meets the requirements of Section 17.2 of the Securities Regulation Code and includes, among others, any person who:

- i. Is not a director or officer or substantial stockholder of FLI or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing);
- ii. Is not a relative of any director, officer or substantial stockholder of FLI, any of its related companies or any of its substantial shareholders. For this purpose, “relative” includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- iii. Is not acting as a nominee or representative of a substantial shareholder of FLI, any of its related companies or any of its substantial shareholders;
- iv. Has not been employed in an executive capacity by FLI, any of its related companies or any of its substantial shareholders within the last two (2) years;
- v. Is not related as a professional adviser of FLI, any of its related companies or any of its substantial shareholders within the last two (2) years, either personally or through his firm;
- vi. Has not engaged and does not engage in any transaction with FLI or any of its related companies or any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms-length and are immaterial or insignificant.

B. When used in relation to FLI, subject to the requirements above:

- i. “Related company” means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and
- ii. “Substantial shareholder” means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

C. An independent director of FLI shall have the following qualifications:

- i. He shall have at least one (1) share of stock of FLI;
- ii. He shall be at least a college graduate or he shall have been engaged in or exposed to the business of FLI for at least five (5) years;
- iii. He shall possess integrity/probity; and
- iv. He shall be assiduous.

D. No person enumerated under Part II, Item A, Par. 8 of the Revised Manual of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:

- i. He becomes an officer or employee of FLI, or becomes any of the persons enumerated under items (A) hereof;
- ii. His beneficial security ownership exceeds 10% of the outstanding capital stock of FLI;
- iii. He fails, without any justifiable cause, to attend at least 50% of the total number of board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family member;

- iv. If he becomes disqualified under any of the grounds stated in FLI's Revised Manual on Corporate Governance.

E. Pursuant to SEC Memorandum Circular No. 09, Series of 2011, as amended by SEC Memorandum Circular No. 04, Series of 2017, the following additional guidelines, amending the rules on the term limit of independent directors, shall be observed in the qualification of individuals to serve as independent directors:

- i. There shall be no limit in the number of covered companies that a person may be elected as independent director, except in business conglomerates where an ID can be elected to only five (5) companies of the conglomerate, i.e., parent company, subsidiary or affiliate;
- ii. An independent director shall serve for a maximum cumulative term of nine (9) years;
- iii. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as non-independent director;
- iv. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and
- v. The reckoning of the cumulative nine-year term is from 2012.

Members of the Board of Directors, Attendance and Committee Memberships

The following table lists down the members of the Board of Directors and their attendance in Board Meetings during 2019 which was reported during the Annual Stockholders' Meeting held on April 22, 2019.

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Jonathan T. Gotianun	April 22, 2019	5	4	80%
Member	L. Josephine Gotianun-Yap	April 22, 2019	5	5	100%
Member	Andrew T. Gotianun, Jr.	April 22, 2019	5	4	80%
Member	Michael Edward T. Gotianun	April 22, 2019	5	4	80%
Member	Efren C. Gutierrez	April 22, 2019	5	5	100%
Member	Francis Nathaniel C. Gotianun	April 22, 2019	5	4	80%
Independent	Val Antonio B. Suarez	April 22, 2019	5	5	100%
Independent	Ernesto S. De Castro*	April 22, 2019	2	2	100%
Independent	Gemilo J. San Pedro**	July 17, 2019	2	2	100%

* Ernesto S. De Castro was elected as member of the Board of Directors on April 22, 2019

** Gemilo J. San Pedro was elected as member of the Board of Directors on July 17, 2019

Committee Membership

Name	Position
Mr. Jonathan T. Gotianun	Chairman of the Board Member – Executive Committee Member – Audit & Risk Management Oversight Committee Member – Compensation Committee
Mrs. L. Josephine Gotianun-Yap	President and Chief Executive Officer Chairman – Executive Committee Member – Nominations Committee Member – Compensation Committee
Mr. Michael Edward T. Gotianun	Member – Executive Committee Member – Technical Committee
Mr. Andrew T. Gotianun, Jr.	Member – Executive Committee
Francis Nathaniel C. Gotianun	Member – Executive Committee
Atty. Efren C. Gutierrez	Member – Audit & Risk Management Oversight Committee Chairman – Nominations Committee Member – Related-Party Transaction & Corporate Governance Committee
Atty. Val Antonio B. Suarez	Lead Independent Director Member – Audit & Risk Management Oversight Committee Member – Nominations Committee Chairman – Compensation Committee Chairman – Related-Party Transaction & Corporate Governance Committee
Engr. Ernesto S. De Castro	Independent Director Chairman – Technical Committee
Mr. Gemilo J. San Pedro	Independent Director Chairman – Audit & Risk Management Oversight Committee Member – Nominations Committee Member – Compensation Committee Member – Related-Party Transaction & Corporate Governance Committee

Duties and Responsibilities of the Different Board Committees

Executive Committee

Committee Members

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (*)
Chairman	L. Josephine Gotianun-Yap	April 22, 2019	6	6	100%	1 year
Member (ED)	Michael Edward T. Gotianun	April 22, 2019	6	5	83%	1 year
Member (ED)	Francis Nathaniel C. Gotianun	April 22, 2019	6	5	83%	1 year
Member (ED)	Jonathan T. Gotianun	April 22, 2019	6	6	100%	1 year
Member (ED)	Andrew T. Gotianun, Jr.	April 22, 2019	6	4	67%	1 year
Member (ID)	Not Applicable					

* Committee members are appointed annually.

The functions, duties and responsibilities of the Board of Directors may be delegated, to the fullest extent permitted by law, to an Executive Committee to be established by the Board of Directors. The Executive Committee shall consist of five (5) members, at least three (3) of whom shall be members of the Board of Directors. All members of the Executive Committee shall be appointed by and under the control of the Board of Directors.

The Executive Committee may act on such specific matters within the competence of the Board of Directors as may be delegated to it by a majority vote of the Board of Directors, except with respect to: (i) approval of any action for which shareholders' approval is also required; (ii) the filing of vacancies in the Board of Directors; (iii) the amendment or repeal of these By-Laws or the adoption of new by-laws; (iv) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; and (v) the distribution of cash dividends to shareholders.

The act of the Executive Committee on any matter within its competence shall be valid if (i) it is approved by the majority vote of all its members in attendance at a meeting duly called where a quorum is present and acting throughout, or (ii) it bears the written approval or conformity of all its incumbent members without necessity for a formal meeting.

The Executive Committee shall hold its regular meeting at least once a month or as often as it may determine, in the principal office of the Corporation or at such other place as may be designated in the notice. Any member of the Executive Committee may, likewise, call a meeting of the Executive Committee at any time. Notice of any meeting of the Executive Committee shall be given at least seven (7) business days prior to the meeting or such shorter notice period as may be mutually agreed. The notice shall be accompanied by (i) a proposed agenda or statement of purpose and (ii) where possible, copies of all documents, agreements and information to be considered at such meeting.

Audit & Risk Management Oversight Committee

Committee Members

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (*)
Chairman (ID)	Gemilo J. San Pedro**	October 16, 2019	1	1	100%	2 months
Member (ID)	Val Antonio B. Suarez	April 22, 2019	3	3	100%	8 months
Member (ED)	Jonathan T. Gotianun	April 22, 2019	3	2	67%	8 months
Member (NED)	Efren C. Gutierrez	April 22, 2019	3	3	100%	8 months

* Committee members are appointed annually.

** Gemilo J. San Pedro was appointed as Chairman of the Audit & Risk Management Oversight Committee on October 16, 2019

The Audit & Risk Management Oversight Committee is composed of at least three (3) Director-members, preferably with accounting and financial background, at least one of whom must be an independent director and another should have related audit experience.

The Chairman of this Committee should be an independent director. He is responsible for inculcating in the minds of the Board members the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

Duties and Responsibilities:

- Provide oversight of financial management functions, specifically in areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management;
- Provide oversight of the Corporation's internal and external auditors;
- Review and approve audit scope and frequency, and the annual internal audit plan;
- Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one (1) audit firm is involved;
- Set up an internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any question of resignation or dismissal;
- Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system;
- Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions, in a timely manner, in addressing control and compliance functions with regulatory agencies;
- Review the quarterly, half-year and annual financial statements before submission to the Board with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards, and
 - Compliance with tax, legal and regulatory requirements
- Coordinate, monitor and facilitate compliance with existing laws, rules and regulations;
- Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Corporation's total expenditure on consultancy. The non-audit work should be disclosed in the Annual Report.
- Establish and identify the reporting line of the chief audit executive so that the reporting level allows the internal audit activity to fulfill its responsibilities. The chief audit executive shall report directly to the Audit & Risk Management Oversight Committee functionally. The Audit & Risk Management Oversight Committee shall ensure that the internal auditors have free and full access to the Corporation's records, properties and personnel relevant to the internal audit activity, and that the internal audit activity is free from interference in determining the scope of internal auditing examinations, performing work, and communicating results, and shall provide a venue for the Audit & Risk Management Oversight Committee to review and approve the annual internal audit plan.

Compensation Committee

Committee Members

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (*)
Chairman (ID)	Val Antonio B. Suarez	April 22, 2019	1	1	100%	8 months
Member (ED)	L. Josephine Gotianun-Yap	April 22, 2019	1	1	100%	8 months
Member (ED)	Jonathan T. Gotianun	April 22, 2019	1	1	100%	8 months
Member (ID)	Gemilo J. San Pedro**	October 16, 2019				2 months

* Committee members are appointed annually.

** Gemilo J. San Pedro was appointed as Chairman of the Audit & Risk Management Oversight Committee on October 16, 2019

The Compensation Committee is composed of at least three (3) Director-members, two (2) of whom must be independent directors.

Duties and Responsibilities:

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.
- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully.
- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers.
- Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which, among others, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- Disallow any director to decide his or her own remuneration.
- Provide in the Corporation's annual reports and information and proxy statements a clear, concise and understandable disclosure of the compensation of its executive officers for the previous fiscal year and ensuing year.
- Review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

Nomination Committee

Committee Members

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (*)
Chairman (NED)	Efren C. Gutierrez	April 22, 2019	2	2	100%	8 months
Member (ED)	L. Josephine Gotianun-Yap	April 22, 2019	2	2	100%	8 months
Member (ID)	Val Antonio B. Suarez	April 22, 2019	2	2	100%	8 months
Member (ID)	Gemilo J. San Pedro**	October 16, 2019	1	1	100%	2 months

* Committee members are appointed annually.

** Gemilo J. San Pedro was appointed as Chairman of the Audit & Risk Management Oversight Committee on October 16, 2019

The Nomination Committee consists of at least three (3) Director-members, two (2) of whom must be independent directors. The Head of the Human Resources Department is a non-voting ex-officio member.

The Nomination Committee may review and evaluate the qualifications of all persons nominated to the Board, as well as those nominated to other positions requiring appointment by the Board, and provide assessment on the Board's effectiveness in directing the process of renewing and replacing the Board's members.

The Nomination Committee may consider the following guidelines in the determination of the number of directorships for the Board members:

- The nature of the business of the Corporations in which he is a director;
- Age of the director;
- Number of directorships/active memberships and officerships in other corporations or organizations; and
- Possible conflict of interest.

The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

The Nomination Committee may pre-screen and shortlist all candidates nominated to become a member of the Board of Directors, taking into account the qualifications and the grounds for disqualifications as set forth in FLI's Revised Manual of Corporate Governance and the Securities Regulation Code.

The Nomination Committee promulgates the guidelines or criteria to govern the conduct of the nomination for members of the Board of Directors. The same shall be properly disclosed in the Company's information or proxy statement or such other reports required to be submitted to the Securities and Exchange Commission (SEC).

The nomination of independent directors is to be conducted by the Committee before the stockholders' meeting. All recommendations should be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

The Committee pre-screens the qualifications and prepares a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the

nominees for independent directors as set forth in the Company's Revised Manual on Corporate Governance.

After the nomination, the Committee prepares a Final List of Candidates which contains all the information about all the nominees for independent directors, and is made available to the SEC and all stockholders through the filing and distribution of the Information Statement, or in such reports the Company is required to submit to the SEC. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report, including any relationship with the nominee.

Related Party Transaction and Corporate Governance Committee

Committee Members

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (*)
Chairman (ID)	Val Antonio B. Suarez	April 22, 2019	No meeting held			8 months
Member (NED)	Efren C. Gutierrez	April 22, 2019	No meeting held			8 months
Member (ID)	Gemilo J. San Pedro**	October 16, 2019	No meeting held			2 months

* Committee members are appointed annually.

** Gemilo J. San Pedro was appointed as Chairman of the Audit & Risk Management Oversight Committee on October 16, 2019

The Related Party Transaction and Corporate Governance Committee is composed of at least three (3) non-executive directors, two (2) of whom must be independent, including the Chairman of the Committee.

The Related Party Transaction Committee has the following duties and responsibilities:

- Conduct continuous evaluation and monitoring of existing relations among counterparties to ensure that all related parties are identified, related party transactions ("RPTs") are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and the SEC;
- Evaluate all material RPTs to ensure that these are transacted on an arm's length basis and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

In evaluating RPTs, the Committee may take into account the following:

- The related party's relationship to the Corporation and interest in the transaction;
- The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- The benefits to the Corporation of the proposed RPT;
- The availability of other sources of comparable products or services; and
- An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.

- Ensure that appropriate disclosure is made to the regulating and supervising authorities relating to the Corporation's RPT exposures and policies on conflicts of interest or potential conflicts of interest;
- Report to the Board, on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- Ensure that transactions with related parties, including write-off of exposures, are subject to a periodic independent review or audit process; and
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

Technical Committee

Committee Members

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee (*)
Chairman (ID)	Ernesto S. De Castro	April 22, 2019	No meeting held			8 months
Member (ED)	Michael Edward T. Gotianun	April 22, 2019	No meeting held			8 months
Member (ID)	Val Antonio B. Suarez	April 22, 2019	No meeting held			8 months

* Committee members are appointed annually.

Shareholders' Rights

The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as a governance covenant between the Corporation and all its investors:

The Board shall be committed to respect the following rights of the stockholders:

A. Voting Right

1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
2. Cumulative voting is mandatory in the election of directors.
3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

B. Power of Inspection

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code, during business hours and upon prior written notice to the Corporation and for good reason.

All Shareholders shall be furnished with annual reports, including financial statements, without cost or restrictions.

C. Right to Information

1. The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.
2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
3. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

D. Right to Dividends

1. Shareholders shall have the right to receive dividends, subject to the discretion of the Board.
2. The Commission may direct the Corporation to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: i) when justified by definite corporate expansion projects or programs approved by the Board; or ii) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

E. Appraisal Right

The Shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation; and
- In case of merger or consolidation.

F. The Board should be transparent and fair in the conduct of the annual and special shareholders' meetings of the corporation.

The shareholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the shareholder's favor.

- G. It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person or *in absentia*, as allowed under the Revised Corporation Code. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions, subject to legal constraints.

In order to keep itself abreast with the leading practices on corporate governance, FLI encourages the members of top level management and the Board to attend and participate at seminars on corporate governance initiated by accredited institutions.

FLI welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors, to improve corporate governance.

There is no known material deviation from FLI's Revised Manual on Corporate Governance.

Per SEC Memorandum Circular No. 15, Series of 2017, the Integrated Annual Corporate Governance Report for 2019 shall be submitted to the SEC on or before May 30, 2020 and is no longer required to be attached to the Annual Report. The deadline was extended until July 30 in light of the enhanced community quarantine in Metro Manila.

PART V – EXHIBITS AND SCHEDULES

Item 14. EXHIBITS AND REPORTS ON SEC Form 17-C

a) Exhibits

Exhibits as indicated in the Index to Exhibits are either not applicable to the Parent Company or require no answer.

b) Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed during the last six months of 2019:

Report Date	Items Reported
November 14, 2019	Press Release on 9-month results
October 22, 2019	Notice of Analysts'/Investors' Briefing
October 16, 2019	Board Approval of Related Party Transaction Policy
October 3, 2019	Press Release on Filinvest Alabang, Inc. JV with Mitsubishi Corp.
August 15, 2019	Press Release on 1 st Half Results
July 30, 2019	Notice of Analysts'/Investors' Briefing on August 10, 2018

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Form 17 A, Item 7

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements
Report of Independent Public Accountant
Consolidated Balance Sheets as of December 31, 2019 and 2018
Consolidated Statements of Income and Retained Earnings for the years
ended December 31, 2019, 2018, and 2017
Consolidated Statements of Cash Flows for the years
ended December 31, 2019, 2018, and 2017
Notes to Consolidated Financial Statements

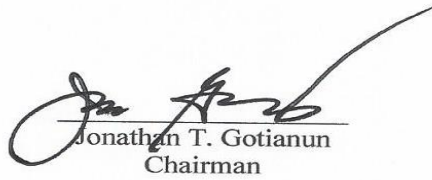
Supplementary Schedules

Report of Independent Auditors on Supplementary Schedules
Report of Independent Auditors on Components of Financial Soundness Indicators
Schedule A – Financial Assets
Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties, and
Principal Stockholders (other than related parties)
Schedule C - Amounts Receivables (Payables) from related parties which are eliminated during the
consolidation of the financial statements
Schedule D – Intangible Asset – Other Asset
Schedule E – Long term Debt
Schedule F- Indebtedness to Related Parties
Schedule G – Guarantees of Securities of Other Issuers
Schedule H – Capital Stock
Schedule I - Schedule of Bond Issuances – Securities Offered to the Public
Schedule J - Retained Earnings Available for Dividend Distribution
Schedule K – Map showing the Relationships Between and among the companies in the Group, its
ultimate parent Company and Co-subsidiaries
Components of Financial Soundness Indicators
Group Structure

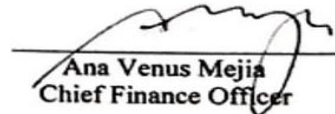
SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong, Metro Manila on May 14, 2020.

By:


Jonathan T. Gotianun
Chairman


Lourdes Josephine Gotianun-Yap
President and CEO


Ana Venus Mejia
Chief Finance Officer


Sharon P. Pagaling-Refuerzo
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of _____ affiants exhibiting to me their Competent evidence of identity as follows:

Name	Competent evidence of Identity	Issue Date	Expiry Date	Place issued
Jonathan T. Gotianun	Passport no. P5509919A	03-Jan-18	02-Jan-28	DFA/Manila
L. Josephine G. Yap	Passport no. P1463447A	7-Jan-17	6-Jan-22	DFA/NCR East
Sharon P. Refuerzo	Passport no. P2852223B	24-Aug-19	23-Aug-29	DFA/NCR East
Ana Venus Mejia	Passport no. P3387436B	30-Sep-19	29-Sep-29	DFA/NCR East

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Page No. _____

Book No. _____

Series of 2020

FILINVEST LAND, INC.

79 EDSA, Highway Hills
Mandaluyong City, Metro Manila
Trunk line: (632) 918-8188
Customer hotline: (632) 588-1688
Fax number: (632) 918-8189
www.filinvestland.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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



JONATHAN T. GOTIANUN
Chairman of the Board



LOURDES JOSEPHINE GOTIANUN-YAP
President/CEO



ANA VENUS A. MEJIA
Chief Financial Officer

Signed this __ day of _____, 2020

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SECRRegistrationNumber

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COMPANY NAME

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

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

7	9		E	D	S	A	,		B	r	g	y	.		H	i	g	h	w	a	y		H	i	l	l	s	,		
M	a	n	d	a	l	u	y	o	n	g		C	i	t	y															

Form Type

A	A	C	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

Company's Telephone Number

918-8188

Mobile Number

No. of Stockholders

5,670

Annual Meeting (Month / Day)

Every 2nd to the last Friday
of April Each Year

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATIONThe designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Venus A. Mejia

Email Address

venus.mejia@filinvestgro
up.com

Telephone Number/s

918-8188

Mobile Number

--

CONTACT PERSON'S ADDRESS

79 EDSA, Brgy. Highway Hills, Mandaluyong City

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

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



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Filinvest Land, Inc.
79 EDSA, Brgy. Highway Hills
Mandaluyong City

Opinion

We have audited the accompanying consolidated financial statements of Filinvest Land, Inc. (the Parent Company) and its subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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



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

Adoption of PFRS 16, Leases

Effective January 1, 2019, the Group adopted Philippine Financial Reporting Standard (PFRS) 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Group's accounting policy for leases. The Group's adoption of PFRS 16 is significant to our audit because the Group has high volume of lease agreements; the recorded amounts are material to the consolidated financial statements; and adoption involves application of significant judgment and estimation in determining the lease term and in determining the incremental borrowing rate. This resulted in the recognition of right of use assets amounting ₱5,392.39 million and lease liability amounting to ₱5,677.27 million for the Group, as of January 1, 2019, and the recognition of depreciation expense of ₱144.59 million and interest expense of ₱488.73 million for the Group, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16, including available practical expedients applied by the Group, are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the determination of incremental borrowing rate and lease term, the application of the short-term and low value assets exemption, the selection of the transition approach and any election of available practical expedients.

We tested the completeness of the population of lease agreements by obtaining the list of lease agreements in prior year where rent expense have been recognized. The list was reconciled to the current year list. On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments.

We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.



Real Estate Revenue Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the output method as the measure of progress in determining real estate revenue; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

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

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's project engineers and managers.

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

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

Refer to Note 6 to the consolidated financial statements for the disclosures on revenue recognition.

Audit Response

We obtained an understanding of the Group's revenue recognition process.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold.

In determining revenue from real estate sales, we obtained an understanding of the Group's processes for determining POC under the output method, and performed tests of relevant controls. We obtained certified POC reports prepared by internal project engineers for mid-rise real estate development and third-party project managers for high-rise real estate development. We assessed the competence and objectivity of the project engineers and managers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and obtained supporting details of POC reports.



For the cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed, to supporting documents such as project accomplishment reports and progress billings from contractors.

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

Recoverability of Goodwill

Under PFRS, the Group is required to test the goodwill for impairment. As of December 31, 2019, goodwill attributable to Festival Supermall structure, Filinvest Asia Corporation, and Cyberzone Properties, Inc. which are considered significant to the consolidated financial statements amounted to ₱3,745.95 million, ₱494.74 million and ₱326.55 million, respectively, for a total of ₱4,567.24 million. Management's assessment process involves significant judgment and is based on assumptions, including revenue growth rates, gross margins, discount rates and terminal growth rates.

Refer to Notes 3 and 4 to the consolidated financial statements for the disclosures about goodwill.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rates, gross margins, discount rates and terminal growth rates.

We compared the key assumptions used, such as revenue growth rates against the historical performance of the cash-generating units, and relevant external data. We tested the parameters used in determining discount rates against market data. We also reviewed the Group's disclosures of the assumptions used where the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

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

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

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



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael C. Sabado.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

SEC Accreditation No. 0664-AR-4 (Group A),

November 11, 2019, valid until November 10, 2022

Tax Identification No. 160-302-865

BIR Accreditation No. 08-001998-73-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125294, January 7, 2020, Makati City

February 26, 2020



FILINVEST LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****(Amounts in Thousands of Pesos)**

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 20 and 30)	₱4,773,621	₱6,419,560
Contracts receivables (Notes 6, 8 and 30)	1,446,192	800,850
Contract assets (Notes 6 and 30)	5,998,421	3,798,831
Other receivables (Notes 9 and 30)	3,175,045	2,348,361
Real estate inventories (Note 10)	63,018,436	67,853,028
Other current assets (Notes 6 and 11)	4,388,484	3,874,332
Total Current Assets	82,800,199	85,094,962
Noncurrent Assets		
Contract assets - net of current portion (Notes 6 and 30)	7,117,321	6,243,274
Investments in associates (Notes 2 and 12)	4,170,682	4,056,019
Investment properties (Notes 3 and 13)	61,321,185	50,018,371
Property and equipment (Note 14)	3,288,718	3,833,120
Right-of-use assets (Notes 2 and 15)	5,247,802	–
Deferred income tax assets (Note 28)	52,435	85,979
Goodwill (Note 4)	4,567,242	4,567,242
Other noncurrent assets (Note 16)	5,130,847	4,961,516
Total Noncurrent Assets	90,896,232	73,765,521
TOTAL ASSETS	₱173,696,431	₱158,860,483

LIABILITIES AND EQUITY**Current Liabilities**

Accounts payable and accrued expenses (Notes 17 and 30)	₱13,164,864	₱12,446,821
Contract liabilities (Note 6)	972,758	2,156,955
Lease liabilities - current portion (Notes 2 and 15)	318,119	–
Due to related parties (Notes 20 and 30)	100,779	181,271
Income tax payable	142,736	109,002
Current portion of loans payable (Notes 18, 26 and 30)	6,887,481	1,969,936
Current portion of bonds payable (Notes 19, 26 and 30)	4,294,644	6,993,574
Total Current Liabilities	25,881,381	23,857,559

(Forward)

	December 31	
	2019	2018
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 18, 26 and 30)	₱28,640,752	₱22,978,537
Bonds payable - net of current portion (Notes 19, 26 and 30)	23,590,043	27,840,692
Contract liabilities - net of current portion (Note 6)	779,648	1,053,221
Lease liabilities - net of current portion (Notes 2 and 15)	5,551,945	–
Net retirement liabilities (Notes 3 and 25)	512,442	598,403
Deferred income tax liabilities - net (Note 28)	6,512,613	6,011,674
Accounts payable and accrued expenses - net of current portion (Notes 17 and 30)	10,063,314	9,248,775
Total Noncurrent Liabilities	75,650,757	67,731,302
Total Liabilities	101,532,138	91,588,861
Equity		
Common stock (Note 26)	24,470,708	24,470,708
Preferred stock (Note 26)	80,000	80,000
Additional paid-in capital	5,612,321	5,612,321
Treasury stock (Note 26)	(221,041)	(221,041)
Retained earnings (Notes 2 and 26)	41,661,647	36,882,343
Revaluation reserve on financial assets at fair value through other comprehensive income	(2,619)	(2,619)
Remeasurement losses on retirement plan - net of tax (Note 25)	(24,285)	(148,581)
Share in other components of equity of associates (Note 12)	361,794	361,794
Equity attributable to equity holders of the parent	71,938,525	67,034,925
Noncontrolling interests (Note 2)	225,768	236,697
Total Equity	72,164,293	67,271,622
TOTAL LIABILITIES AND EQUITY	₱173,696,431	₱158,860,483

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****(Amounts in Thousands of Pesos, Except Earnings Per Share Figures)**

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Real estate sales (Note 6)	₱17,013,120	₱14,404,201	₱13,748,423
Rental and related services (Notes 6, 13 and 15)	7,008,742	5,608,258	4,414,665
Total revenue	24,021,862	20,012,459	18,163,088
EQUITY IN NET EARNINGS OF ASSOCIATES (Note 12)	401,525	537,017	350,213
OTHER INCOME			
Interest income (Notes 7, 8, 20 and 23)	571,701	977,290	935,302
Others - net (Notes 20 and 24)	678,222	678,419	821,048
	25,673,310	22,205,185	20,269,651
COSTS			
Real estate sales (Note 10)	9,853,871	8,339,208	8,051,904
Rental and related services (Notes 13 and 16)	1,128,410	1,130,507	999,057
OPERATING EXPENSES			
General and administrative expenses (Note 21)	2,474,723	2,322,060	1,879,135
Selling and marketing expenses (Note 22)	1,448,573	1,442,587	981,693
INTEREST AND OTHER FINANCE CHARGES (Notes 18, 19 and 23)	2,492,965	1,192,441	1,062,705
	17,398,542	14,426,803	12,974,494
INCOME BEFORE INCOME TAX	8,274,768	7,778,382	7,295,157
PROVISION FOR INCOME TAX (Note 28)	1,754,968	1,702,509	1,460,976
NET INCOME	₱6,519,800	₱6,075,873	₱5,834,181
Net income attributable to:			
Equity holders of the parent	₱6,283,634	₱5,894,408	₱5,685,394
Noncontrolling interest	236,166	181,465	148,787
	₱6,519,800	₱6,075,873	₱5,834,181
Basic/Diluted Earnings Per Share (Note 27)	₱0.26	₱0.24	₱0.23

See accompanying Notes to Consolidated Financial Statements.

FILINVEST LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Amounts in Thousands of Pesos)**

	Years Ended December 31		
	2019	2018	2017
NET INCOME	₱6,519,800	₱6,075,873	₱5,834,181
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss			
Remeasurement gains on retirement plan, net of tax (Notes 25 and 28)	124,296	6,755	3,637
TOTAL COMPREHENSIVE INCOME	₱6,644,096	₱6,082,628	₱5,837,818
Total comprehensive income attributable to:			
Equity holders of the parent	₱6,407,930	₱5,901,163	₱5,689,031
Noncontrolling interest	236,166	181,465	148,787
	₱6,644,096	₱6,082,628	₱5,837,818

See accompanying Notes to Consolidated Financial Statements.

FILINVEST LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands of Pesos)

	Attributable to Equity Holders of the Parent										
	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Retained Earnings (Note 26)	Revaluation Reserve on Financial Assets at FVOCI (Note 16)	Remeasurement Losses on Retirement Plan (Note 25)	Share in Other Components of Equity of an Associate (Note 12)	Total	Noncontrolling Interest	Total Equity
For the Year Ended December 31, 2019											
Balances as at January 1, 2019	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱36,882,343	(₱2,619)	(₱148,581)	₱361,794	₱67,034,925	₱236,697	₱67,271,622
Effect of adoption of new accounting standard (Note 2)	—	—	—	—	11,502	—	—	—	11,502	445	11,947
Balances as at January 1, 2019, as restated	24,470,708	80,000	5,612,321	(221,041)	36,893,845	(2,619)	(148,581)	361,794	67,046,427	237,142	67,283,569
Net income	—	—	—	—	6,283,634	—	—	—	6,283,634	236,166	6,519,800
Other comprehensive income	—	—	—	—	—	—	124,296	—	124,296	—	124,296
Total comprehensive income	—	—	—	—	6,283,634	—	124,296	—	6,407,930	236,166	6,644,096
Dividends declared (Note 26)	—	—	—	—	(1,501,060)	—	—	—	(1,501,060)	—	(1,501,060)
Dividend distribution to noncontrolling interest	—	—	—	—	—	—	—	—	—	(218,000)	(218,000)
Deconsolidation from loss of control in a subsidiary (Note 2)	—	—	—	—	(14,772)	—	—	—	(14,772)	(29,540)	(44,312)
Balances as at December 31, 2019	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱41,661,647	(₱2,619)	(₱24,285)	₱361,794	₱71,938,525	₱225,768	₱72,164,293
For the Year Ended December 31, 2018											
Balances as at January 1, 2018	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱33,099,891	(₱2,619)	(₱155,336)	₱361,794	₱63,245,718	₱255,325	₱63,501,043
Effect of adoption of new accounting standard	—	—	—	—	(613,321)	—	—	—	(613,321)	—	(613,321)
Balance as at January 1, 2018, as restated	24,470,708	80,000	5,612,321	(221,041)	32,486,570	(2,619)	(155,336)	361,794	62,632,397	255,325	62,887,722
Net income	—	—	—	—	5,894,408	—	—	—	5,894,408	181,465	6,075,873
Other comprehensive income	—	—	—	—	—	—	6,755	—	6,755	—	6,755
Total comprehensive income	—	—	—	—	5,894,408	—	6,755	—	5,901,163	181,465	6,082,628
Dividends declared (Note 26)	—	—	—	—	(1,498,635)	—	—	—	(1,498,635)	—	(1,498,635)
Dividend distribution to noncontrolling interest	—	—	—	—	—	—	—	—	—	(184,000)	(184,000)
Acquisition of noncontrolling interest (Note 2)	—	—	—	—	—	—	—	—	—	(16,093)	(16,093)
Balances as at December 31, 2018	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱36,882,343	(₱2,619)	(₱148,581)	₱361,794	₱67,034,925	₱236,697	₱67,271,622



Attributable to Equity Holders of the Parent

	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Retained Earnings (Note 26)	Revaluation Reserve on Financial Assets at FVOCI (Note 16)	Remeasurement Losses on Retirement Plan (Note 25)	Share in Other Components of Equity of an Associate (Note 12)	Total	Noncontrolling Interest	Total Equity
For the Year Ended December 31, 2017											
Balances as of January 1, 2017	P24,470,708	P80,000	P5,612,321	(P221,041)	P29,015,356	(P2,619)	(P158,973)	P361,794	P59,157,546	P255,091	P59,412,637
Net income	—	—	—	—	5,685,394	—	—	—	5,685,394	148,787	5,834,181
Other comprehensive income	—	—	—	—	—	—	3,637	—	3,637	—	3,637
Total comprehensive income	—	—	—	—	5,685,394	—	3,637	—	5,689,031	148,787	5,837,818
Dividends declared (Note 26)	—	—	—	—	(1,486,510)	—	—	—	(1,486,510)	—	(1,486,510)
Dividend distribution to noncontrolling interest	—	—	—	—	—	—	—	—	—	(146,000)	(146,000)
Investment from noncontrolling interest	—	—	—	—	—	—	—	—	—	21,951	21,951
Acquisition of noncontrolling interest (Note 2)	—	—	—	—	(114,349)	—	—	—	(114,349)	(24,504)	(138,853)
Balances as of December 31, 2017	P24,470,708	P80,000	P5,612,321	(P221,041)	P33,099,891	(P2,619)	(P155,336)	P361,794	P63,245,718	P255,325	P63,501,043

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2019	2018	2017 (As restated, see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱8,274,768	₱7,778,382	₱7,295,157
Adjustments for:			
Interest income (Note 23)	(571,701)	(977,290)	(935,302)
Interest expense and amortization of transaction costs (Note 23)	2,442,483	1,155,761	1,038,511
Depreciation and amortization (Notes 5, 13, 14 and 15)	1,320,598	810,629	769,461
Equity in net earnings of associates (Note 12)	(401,525)	(537,017)	(350,213)
Net pension expense, net of contribution and benefits paid (Note 25)	91,605	90,124	78,600
Operating income before changes in operating assets and liabilities	11,156,228	8,320,589	7,896,214
Changes in operating assets and liabilities			
Decrease (increase) in:			
Contracts receivable	(645,342)	16,425,142	4,559,588
Contract assets	(3,073,636)	(10,042,105)	—
Other receivables	(422,684)	(465,945)	(630,904)
Real estate inventories	6,736,824	(10,699,331)	(7,719,291)
Other assets	(785,778)	304,788	(669,372)
Increase (decrease) in:			
Accounts payable and accrued expense	(1,767,272)	82,051	5,665,098
Contract liabilities	(1,457,770)	3,210,176	—
Cash generated from operations	9,740,570	7,135,365	9,101,333
Income taxes paid, including creditable withholding taxes	(1,387,147)	(1,198,192)	(878,726)
Interest received	571,701	977,290	935,302
Net cash provided by operating activities	8,925,124	6,914,463	9,157,909
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment properties and property and equipment (Notes 13 and 14)	(8,792,995)	(5,558,464)	(6,854,429)
Noncontrolling interest	—	—	(138,853)
Payment of lease liability	(295,937)	—	—
Dividends received (Note 12)	—	678,000	200,000
Redemption of financial asset at FVOCI (Note 16)	—	48	—
Net cash used in investing activities	(9,088,932)	(4,880,416)	(6,793,282)

(Forward)



Years Ended December 31			
	2019	2018	2017 (As restated, see Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Loans payable (Notes 18 and 30)	₱15,400,000	₱5,500,000	₱3,225,000
Bonds payable (Notes 19 and 30)	—	—	6,000,000
Payments of:			
Loans payable (Note 18)	(4,840,663)	(3,841,338)	(4,370,198)
Bonds payable (Note 19)	(7,000,000)	—	—
Cash dividend (Note 26)	(1,482,405)	(1,498,635)	(1,486,510)
Interest and transaction costs	(3,260,571)	(3,132,467)	(2,861,384)
Dividends paid to noncontrolling interest	(218,000)	(184,000)	(146,000)
Increase in amounts due to related parties	(80,492)	(18,044)	(44,421)
Investment from noncontrolling interest	—	—	21,951
Acquisition of noncontrolling interest (Note 2)	—	(16,093)	—
Net cash provided by (used in) financing activities	(1,482,131)	(3,190,577)	338,438
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,645,939)	(1,156,530)	2,703,065
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,419,560	7,576,090	4,873,025
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱4,773,621	₱6,419,560	₱7,576,090

See accompanying Notes to Consolidated Financial Statements.



FILINVEST LAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Filinvest Land, Inc. (the “Parent Company” or “FLI”) is a property developer engaged mainly in the development of residential subdivisions, construction of housing units and leasing activities. It was incorporated and is domiciled in the Philippines where its shares are publicly traded. Formerly Citation Homes, Inc., the Parent Company was incorporated on November 24, 1989, with the expiration of its corporate life 50 years thereafter, and later changed to its present name on July 12, 1993. The Parent Company and its subsidiaries (collectively referred to as “the Group”) offer a range of real estate products from socialized and affordable housing to middle-income and high-end housing, various types of subdivision lots, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, condotels, and condominium buildings. The Group also leases out commercial and office spaces in Muntinlupa City, Makati City, Pasay City, Cebu City, Tagaytay City, Cavite, and Clark Mimosa, its major locations for leasing.

The Group’s parent company is Filinvest Development Corporation (FDC), a publicly listed entity. A.L. Gotianun, Inc. (ALG) is the Group’s ultimate parent company. FDC and ALG were incorporated in the Philippines.

The Parent Company’s registered business address is at 79 E. Delos Santos Ave. (EDSA), Brgy. Highway Hills, Mandaluyong City.

On December 26, 2019, Cyberzone Properties, Inc. (CPI) and Filinvest Cyberparks, Inc. (FCI), wholly owned subsidiaries of the Parent, entered into a Deed of Assignment to sell its ownership in Pro-Excel Property Managers, Inc. (Pro-Excel) to Filinvest Alabang, Inc. (FAI). The sale resulted in a loss of control in Pro-Excel and deconsolidation by the Group. The remaining ownership of the Parent Company in Pro-Excel is 33% (see Notes 2 and 12). Subsequently after disposal, the investment in Pro-excel is accounted as investment in associate under the equity method.

On October 11, 2019, ProMixers Aggregates Corp. (PMAC), a wholly owned subsidiary of the Parent Company, was incorporated mainly to operate concrete batching plant, manufacture and supply of precast and construction equipment supply and rental. PMAC has not started commercial operations as of December 31, 2019.

On March 18, 2019, ProOffice Works Services, Inc. (ProOffice), a wholly owned subsidiary of the Parent Company, was incorporated to engage in the business of administration, maintenance and management of real estate developments and projects. ProOffice started commercial operations in August 2019.

On July 18, 2018, the SEC approved Timberland Sports and Nature Club, Inc.’s (TSNC) application on voluntary revocation of its secondary registration which allowed TSNC to proceed with the transition to its new business model. On November 15, 2018, the Board of Directors (BOD) approved the amendment to change the primary purpose of the Club from an exclusive recreational sports club to a for profit commercial facility. On July 24, 2019, TSNC submitted its Amended Articles of Incorporation to SEC. The amendments include (a) change of the primary purpose of TSNC from that of an exclusive recreational sports club to a real estate development Company; (b) change of TSNC’s principal address from No. 173 P. Gomez Street, San Juan, Metro Manila to Timberland Heights, Barangay Malanday, San Mateo Rizal; (c) converting of TSNC’s capital stock from no par value club shares to par value shares; (d) removal of provisions which characterizes TSNC as an exclusive non-profit association; and (e) removal of paragraphs which relate to the



operations of an exclusive recreational sports club. On August 1, 2019, the SEC approved TSNC's application for voluntary revocation of its secondary registration. On August 18, 2019, the SEC approved TSNC's Amended Articles of Incorporation.

On January 19, 2018, FLI entered into a Share Sale and Purchase Agreement to purchase 100% of the total outstanding shares of Gintong Parisukat Realty and Development Inc. (GPRDI) for a total consideration of ₱1.71 billion. The primary purpose of GPRDI is to hold, purchase, lease, contract or otherwise acquire any and all real and personal properties. GPRDI has not started commercial operations as of December 31, 2019. The acquisition of GPRDI was accounted for as an asset acquisition (see Note 3).

Approval of the Consolidated Financial Statements

The consolidated financial statements as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were approved and authorized for issue by the BOD on February 26, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements are prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) that are measured at fair value. The Group's consolidated financial statements are presented in Philippine Peso (Peso), which is also the functional currency of the Parent Company, its subsidiaries and associates. Amounts are in thousand Pesos except as otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), which include the availment of relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular Nos. 4-2020, 3-2019 and 14-2018 as discussed in the section below under Changes in Accounting Policies and Disclosures and Significant Accounting Policies. PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries. The nature of business and the corresponding percentages of ownership over these entities as at December 31, 2019, 2018 and 2017 are as follows. The voting rights held by the Group in these subsidiaries are in proportion to its ownership interest.

Subsidiaries	Nature of Business	2019	2018	2017
Filinvest AII Philippines, Inc. (FAPI)	Real estate developer	100%	100%	100%
Filinvest BCDA Clark, Inc. (FBCI) ¹	Real estate developer	55%	55%	55%
FCGC Corporation (FCGCC)	Real estate developer	100%	100%	100%
Gintong Parisukat Realty and Development Inc. (GPRDI)	Real estate developer	100%	100%	—

(Forward)



Subsidiaries	Nature of Business	2019	2018	2017
Homepro Realty Marketing, Inc. (Homepro)	Real estate developer	100%	100%	100%
Cyberzone Properties, Inc. (CPI)	Leasing	100%	100%	100%
Filinvest Asia Corporation (FAC)	Leasing	60%	60%	60%
Filinvest Cyberparks, Inc. (FCI)	Leasing	100%	100%	100%
Filinvest Cyberzone Mimosa, Inc. (FCMI)	Leasing	100%	100%	100%
Festival Supermall, Inc. (FSI)	Property management	100%	100%	100%
Filinvest Lifemalls Corporation (FLC)	Property management	100%	100%	100%
Filinvest Lifemalls Mimosa, Inc. (FLMI)	Property management	100%	100%	100%
Filinvest Lifemalls Tagaytay, Inc. (FLTI)	Property management	100%	100%	100%
Pro-Excel Property Managers, Inc. (Pro-Excel) ²	Property management	33%	74%	74%
ProOffice Works Services, Inc. (ProOffice) ³	Property management	100%	—	—
Property Specialist Resources, Inc. (Prosper)	Property management	100%	100%	100%
FSM Cinemas, Inc. (FSM Cinemas) ⁴	Theater operator	60%	60%	60%
Philippine DCS Development Corporation (PDDC)	District cooling systems, builder and operator	60%	60%	60%
Timberland Sports and Nature Club, Inc. (TSNC) ⁵	Recreational Sports and Natures Club	98%	98%	97%
Dreambuilders Pro, Inc. (DPI)	Construction	100%	100%	100%
ProMixers Aggregates Corp. (PMAC) ⁶	Construction	100%	—	—
Leisurepro, Inc. (Leisurepro)	Marketing	100%	100%	100%
Proleads Philippines, Inc. (PPI)	Marketing	100%	100%	100%
Property Leaders International Limited (PLIL)	Marketing	100%	100%	100%
Property Maximizer Professional Corp. (Promax)	Marketing	100%	100%	100%
Realpros Philippines, Inc. (RPI)	Marketing	100%	100%	100%

1. FBCI is owned indirectly through FCGCC.

2. Deconsolidated in 2019. CPI and FCI sold its ownership in Pro-Excel to FAI (see Note 1). The effective ownership interest of the Parent Company was reduced to 33%.

3. ProOffice is owned indirectly through CPI and FCI.

4. FSM Cinemas is owned indirectly through FSI.

5. In 2018 and 2017, the Parent Company acquired noncontrolling interest in TSNC representing additional 1% and 5% ownership interest, respectively, for a total consideration of P16.09 million and P138.85 million, respectively.

6. PMAC is owned indirectly through DPI.

Except PLIL which was incorporated in British Virgin Islands, all of the Parent Company's subsidiaries were incorporated in the Philippines. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

A subsidiary is an entity which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee, and, (c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and, (c) the Group's voting rights and potential voting rights.



The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Noncontrolling Interest

Noncontrolling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

Business Combinations Involving Entities under Common Control

A business combination involving entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This will include transactions such as the transfer of subsidiaries or businesses between entities within a group. Common control business combinations are outside the scope of PFRS 3, *Business Combination*. The Group elected to account for its common control business combination using acquisition method and this is applied consistently for similar transactions.



However, where the acquisition method of accounting is selected, the transaction must have commercial substance from the perspective of the reporting entity. Common control business combination without commercial substance is accounted using “pooling of interests” method wherein the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination and adjustments made are only those adjustments to harmonize accounting policies. No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the date of acquisition are eliminated to the extent possible.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group’s consolidated financial statements are consistent with those of the previous financial years, except for the adoption of the following amendments in PFRS and PAS which became effective beginning January 1, 2019.

The nature and impact of each new standard and amendment are described below:

- PFRS 16, *Leases*

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

Lessor accounting under PFRS 16 is substantially unchanged from today’s accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application.

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

	Increase (decrease)
	(In Thousands)
<i>Assets</i>	
Right-of-use assets	₱5,392,390
Investment in associate	48,348
Investment properties	(31,519)
Other assets	(61,884)
Total Assets	₱5,347,335



	Increase (decrease) (In Thousands)
<i>Liabilities</i>	
Accounts payable and accrued expenses	(P346,764)
Lease liability	5,677,269
Deferred tax liabilities - net	4,883
Total Liabilities	P5,335,388
<i>Equity</i>	
Retained earnings	P11,502
Non-controlling interests	445
Total Equity	11,947
Total Liabilities and Equity	P5,347,335

Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under “Other assets” and “Accounts payable and accrued expenses”, respectively. Refer to Significant Accounting Policies for the accounting policy prior to January 1, 2019.

Leases previously accounted for as operating leases

The Group applied a single recognition and measurement approach and recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the above, as at January 1, 2019:

- Right-of-use assets of P5.39 billion were recognized and presented separately in the consolidated statement of financial position.
- Lease liabilities of P5.68 billion were recognized.
- Other assets pertaining to prepaid expenses of P61.88 million, accounts payable and accrued expenses of P346.76 million related to previous operating leases arising from straight lining under PAS 17 were closed against Right-of-use assets and the related deferred tax assets of P39.89 million were derecognized.
- Deferred income tax liabilities increased by P4.88 million (net of P39.89 million deferred tax assets) because of the deferred tax impact of the changes in assets and liabilities.



- Investment in associates increased by ₱48.35 million due to the impact of adoption in the associate's retained earnings.
- The net effect of these adjustments had been adjusted to retained earnings and noncontrolling interest amounting to ₱11.50 million and ₱0.45 million, respectively.
- Investment properties decreased by ₱31.52 million due to change in useful life.

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

Operating lease commitments as at December 31, 2018	₱30,081,059
Weighted average incremental borrowing rate at January 1, 2019	8.37%
<u>Lease liabilities as at January 1, 2019</u>	<u>₱5,677,269</u>

Due to the adoption of PFRS 16, the Group's net income in 2019 improved, with lower rent expense as compared to when subject leases were classied as operating leases under PAS 17, outweighing the increase in interest expense from the accretion of recorded lease liabilities.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax compliance review, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact of the consolidated financial statements of the Group.



- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.



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

Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Upon adoption, the amendment did not have any effect on the Group's consolidated financial statements.



Future Changes in Accounting Policy

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts



PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. The new standard is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance contracts.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*.

Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group is currently assessing the impact of adopting these amendments.

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

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

The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

On February 21, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

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



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

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

Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in its statement of financial position based on a current and noncurrent classification. An asset is current when it is:

- a. expected to be realized or intended to be sold or consumed in normal operating cycle;
- b. held primarily for the purpose of trading;
- c. expected to be realized within twelve (12) months after the reporting period; or
- d. cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- a. it is expected to be settled in normal operating cycle;
- b. it is held primarily for the purpose of trading;
- c. it is due to be settled within twelve (12) months after the reporting period, or
- d. there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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



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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Financial Instruments (Date of recognition)

Financial assets and liabilities are recognized in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery or assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Recognition and Measurement of Financial Instruments

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

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is referred to as the 'solely payments of principal and interest test' and is performed at an instrument level.

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

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

As of December 31, 2019 and 2018, the Group's financial assets comprise of financial assets at amortized cost and financial assets at FVOCI.



Subsequent measurement

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

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

Financial assets at amortized cost

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

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

Financial assets at amortized costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the consolidated statement of income.

The Group classified cash and cash equivalents, contracts receivable, other receivables and deposits (included in other assets) as financial assets at amortized cost (see Note 29).

Financial assets at FVOCI (equity instruments)

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in "Revaluation reserve on financial assets at FVOCI" in the consolidated statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in "Revaluation reserve on financial assets at FVOCI" is not reclassified to profit or loss, but is reclassified to Retained earnings.

Included under this category are the Group's investments in quoted and unquoted shares of stocks (see Note 16).

Dividends earned on holding these equity instruments are recognized in the consolidated statement of income when the Group's right to receive the dividends is established in accordance with PFRS 15, unless the dividends clearly represent recovery of a part of the cost of the investment.

Reclassification of financial assets

The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- from FVPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.



Reclassification of financial assets designated as at FVPL at initial recognition is not permitted.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

As of December 31, 2019 and 2018, loans and borrowings consist primarily of accounts payable and accrued expenses excluding deposit from tenants and other payables, lease liabilities, loans payable, bonds payable and due to related parties (see Notes 15, 17, 18, 19 and 20).

Subsequent measurement

Loans and borrowings (financial liabilities at amortized cost) is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

Impairment of Financial Assets and Contract Assets (Effective January 1, 2018)

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.



Impairment of Financial Assets (Prior to January 1, 2018)

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the Group financial assets with similar credit risk characteristics. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset is derecognized when:

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

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

Financial Liabilities

A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled.



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

Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the consolidated statement of financial position.

Real Estate Inventories

Lots, Condominium and Residential Units 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 real estate inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Land acquisition costs and expenses directly related to acquisition
- Amounts paid to contractors for development and construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale. The cost of inventory recognized in consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property sold, including an allocation of any non-specific costs based on the relative size of the property sold.

Land and Land Development

Land and land development consists of properties to be developed into real estate projects for sale that are carried at the lower of cost or NRV. The cost of land and land development include the following: (a) land acquisition costs, (b) costs incurred relative to acquisition and transfer of land title in the name of the Group such as transfer taxes and registration fees (c) costs incurred on initial development of the raw land in preparation for future projects, and (d) borrowing costs. They are transferred to lots, condominium and residential units for sale under “Real estate inventories” when the project plans, development and construction estimates are completed and the necessary permits are secured.

Investments in Associates

The Group’s investment in associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group’s share of net assets of the associates. The consolidated statement of income reflects the share of the results of operations of the associates. The Group recognizes its share of the losses of the associate until its share of losses equals or exceeds its interest in the associate, at which point the Group discontinues recognizing its share of further losses.



Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on investment in an associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its carrying value and recognize the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

Investment Properties

Investment properties consist of commercial mall, land and other properties that are held for long term rental yields and capital appreciation and land held with undetermined future use. Investment properties, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less accumulated impairment losses, if any.

Constructions-in-progress are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete.

Depreciation of investment properties is computed using the straight-line method over the estimated useful lives (EUL) of these assets as follows:

	Years
Buildings and improvement	20-50
Machinery and equipment	5-15

The EUL and the depreciation method is reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.

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

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



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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and accumulated impairment losses, if any. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use including borrowing cost.

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 as the relevant assets are completed and ready for operational use.

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

Depreciation is computed on the straight-line basis over the EUL of the assets, as follows:

	Years
Buildings	20-50
Machinery and equipment	5-20
Transportation equipment	5
Furniture and fixtures	3-5

Leasehold improvements are amortized over the estimated useful lives of the improvements or the lease term, whichever is shorter.

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

When an item of property and equipment is derecognized, the cost of the related accumulated depreciation and amortization and accumulated impairment losses, if any, is removed from the account. Any gain or loss arising from derecognition of the asset is included in the consolidated statement of income in the year the asset is derecognized.

Intangible Assets

Intangible assets include goodwill, and build, transfer and operate (BTO) rights and development rights, which are presented under other noncurrent assets.

Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination or contracted arrangements is their fair value at the date of acquisition. Following initial recognition, intangible assets, excluding goodwill, are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.



Intangible assets with finite lives (i.e., BTO rights and developmental rights) are amortized over the economic useful life (i.e., 25 years) and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income.

Intangible assets with indefinite useful lives (i.e., goodwill) are not amortized, but are tested for impairment annually or more frequently, either individually or at the cash generating unit level.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Other Assets

Other current and noncurrent assets including construction materials and supplies are carried at cost and pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

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

Impairment of Nonfinancial Assets

The carrying values of investment in associates, property and equipment, investment properties, right-of-use assets and other nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.



For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually or more frequent if events or changes of circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating unit) is less than their carrying amount of cash-generating unit (or group of cash-generating unit) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Revenue Recognition (Effective January 1, 2018)

Revenue from Contracts with Customers

The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces and office leasing activities, wherein it is acting as agent.

In September 2019, the Philippine Interpretations Committee (PIC) issued additional guidance to the real estate industry on the implementation of PFRS 15, including guidance on the recording of the difference between the consideration received from the customer and the transferred goods to the customer (ie, measured based on percentage-of-completion). The PIC allowed real estate companies to recognize the difference as either a contract asset or unbilled receivable. If presented as a contract asset, the disclosures required under PFRS 15 should be complied with. Otherwise, the disclosures required under PFRS 9 should be provided.

The Group opted to retain its existing policy of recording the difference between the consideration received from the customer and the transferred goods to the customer as contract asset.

On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting mostly the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real



estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years until December 31, 2020.

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

Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales was also deferred until December 31, 2020.

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

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

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

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

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Real estate sales

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the project accomplishment reports prepared by the third party project managers for high-rise real estate developments and internal project engineers for mid-rise real estate development. The project technical head integrates, reviews and approves the surveys of performance to date of the construction activities of subcontractors.



Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables is included in the “contract asset” account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the “contract liabilities” account in the liabilities section of the consolidated statement of financial position.

Theater and snack bar sales (included as part of ‘Rental and related services’)

Revenue from theater sales is recognized over time using output method when theater services are rendered. Revenue from snack bar sales is recognized at a point in time when goods are actually sold to customers.

Cost of real estate sales

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Group recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Contract Balances (Effective January 1, 2018)

Contracts receivables

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract (Commission expenses)

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably



expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the “Selling and marketing expense” account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract fulfillment assets

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group’s contract fulfillment assets pertain to land acquisition costs.

Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization of contract fulfillment assets and cost to obtain a contract is included within “Cost of real estate sales” and “Selling and marketing expense”, respectively.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that the contract fulfillment asset or capitalized cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.



Revenue Recognition (Prior to January 1, 2018)

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. In arrangements where the Group is acting as principal to its customers, revenue is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue.

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

Real estate sales

Real estate sales Revenue from sales of substantially completed projects where collectability of sales price is reasonably assured is accounted for using the full accrual method. The percentage-of-completion method is used to recognize revenue from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. Real estate sales are recognized using the percentage of completion when: (a) the criteria of percentage of collection over the total selling price is met, (b) the project is beyond preliminary stage (i.e., engineering, design work, construction contract execution, site clearance and preparation, excavation and the building foundation are finished); and, (c) the project has license to sell.

Any excess of collections over the recognized receivables are included in the “Accounts payable and accrued expenses” account in the liabilities section of the consolidated statement of financial position.

Collections from accounts which are not yet qualified for revenue recognition are treated as customer deposits included in the “Accounts payable and accrued expenses” account in the consolidated statement of financial position.

Theater and snack bar sales (included as part of ‘Rental and related services’)

Revenue from theater sales is recognized when theater services are completed and consumed. Revenue from food and beverage sale is recognized when goods are actually sold to customers.

Costs of real estate sales

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision lots and housing units and 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, as determined by the Group’s in-house technical staff.

Commission expense

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the “Selling and marketing expenses” account in the consolidated statement of income.

Other Revenue and Income Recognition

Rental Income

Rental income arising from investment properties are recognized in the consolidated statement of income either on a straight-line basis over the lease term or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Leases under contingent rents are recognized as income in the period in which they are earned.



Income from Forfeited Reservations and Collections

Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Interest Income

Interest is recognized as it accrues taking into account the effective yield on the underlying asset.

Other Income

Other income, including service fees, processing fees, management fees, is recognized when services are rendered and when goods are delivered.

Cost and Expense Recognition

Costs and expenses are recognized in the consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Expenses

“General and administrative expenses” and “Selling and marketing expenses” are expenses that are incurred in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, property and equipment and investment properties. Selling and marketing expenses are costs incurred to sell real estate inventories, which include commissions, advertising and promotions, among others. General and administrative expenses constitute costs of administering the business.

Expenses are recognized in the consolidated statement of income as incurred based on the amounts paid or payable.

Retirement Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs.

Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.



Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Borrowing Costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. They are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs in the consolidated statement of financial position.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended sale are completed. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

All other borrowing costs are expensed as incurred.

As discussed in “*Future Changes in Accounting Policy*”, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (IAS 23, *Borrowing Cost*) until December 31, 2020. The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

Foreign Currency-Denominated Transactions

The functional and presentation currency of the Parent Company and its subsidiaries and associate is the Philippine Peso. Transactions denominated in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated to Philippine Peso at exchange rates prevailing at the reporting date. Foreign exchange differentials between rate at transaction date and rate at settlement date or reporting date of foreign currency denominated monetary assets or liabilities are credited to or charged against current operations.

Equity

Common and Preferred Stock

The Group records common and preferred stock at par value and additional paid-in capital as the excess of the total contributions received over the aggregate par values of the equity shares.

The Group considers the underlying substance and economic reality of its own equity instrument and not merely its legal form in determining its proper classification. When any member of the Group purchases the Parent Company’s capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of.



Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in consolidated equity.

Treasury Stock

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and 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.

Retained Earnings

Retained earnings represent accumulated earnings of the Group, and any other adjustments to it as required by other standards, less dividends declared. The individual accumulated earnings of the subsidiaries and accumulated equity earnings from an associate included in the consolidated retained earnings are available for dividend declaration when these are declared as dividends by the subsidiaries and associate as approved by their respective BOD.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of common shares held in treasury.

Dividends on common and preferred shares are deducted from retained earnings when declared and approved by the BOD of the Parent Company. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after reporting date, if any, are dealt with as an event after reporting date and disclosed accordingly.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Income Tax

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Income Tax

Deferred income 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 income tax liabilities are recognized for all taxable temporary differences, except; (a) where deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward of MCIT and unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply 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. Income tax relating to items recognized directly in other comprehensive income is recognized in consolidated statement of comprehensive income and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Leases effective January 1, 2019

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

Group as Lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Group as Lessee

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

i) Right-of-use-assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost



of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Useful life of right-of-use on land ranges from 20- to 50 years.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

iii) Short-term leases and leases of low-value assets

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

Leases prior to January 1, 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or,
- (d) There is a substantial change to the asset.



Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as Lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Group as Lessee

Operating lease payments are recognized as an expense on a straight line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics, and the segments are similar in each of the following respects: (a) the nature of the products and services; (b) the nature of the production processes; (c) the type or class of customer for their products and services; (d) the methods used to distribute their products or provide their services; and, (e) if applicable, the nature of the regulatory environment. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects part or all of provision to be reimbursed or recovered, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

Contingencies

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

Events after the Reporting Date

Any post year-end event up to the date of the auditor's report that provides additional information about the Group's position at reporting date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed, when material, in notes to the consolidated financial statements.



3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Real Estate Revenue Recognition (Effective January 1, 2018)

a. Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as purchase application form and official receipts evidencing collections from buyer, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price.

Collectability is also assessed by considering factors such as historical experience with customers, and pricing of the property. Management regularly evaluates the historical cancellations if it would still support its current threshold of customers' equity before commencing revenue recognition.

b. Revenue recognition method and measure of progress

The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.



Real Estate Revenue Recognition (Prior to January 1, 2018)

Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on sale which may be ascertained through the significance of the buyer's initial payments in relation to the total contract price; and,
- Stage of completion of the project development.

The Group has set a certain percentage of collection over the total selling price in determining buyer's commitment on the sale. It is when the buyer's investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group. The Group also determines whether a project's percentage of completion is already considered beyond preliminary stage based the physical proportion of the contract of work.

Accounting for the acquisition of GPRDI

In determining whether a transaction or an event is a business combination, the Group assessed whether the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Further, a business consists of inputs and processes applied to those inputs that have the ability to create outputs. Based on the provisions of the Share Sale and Purchase Agreement to acquire 100% shares of GPRDI (see Note 1), the Parent Company assessed that the acquisition does not constitute a business. In making the judgment, the Parent Company considered that it lacks two (2) of the three (3) components required to meet the definition of a business (i.e., processes and output). While the Parent Company acquired inputs (i.e., land), FLI did not acquire any processes. As such, the transaction was accounted for as an acquisition of an asset and the entire consideration was recognized as part of land and land development costs in the consolidated statement of financial position (see Note 10).

Evaluation of Impairment on Nonfinancial Assets

The Group reviews its investments in associates, property and equipment, investment properties, right-of-use assets, intangible assets and other assets (excluding short-term deposits) for impairment of value. This includes consideration of certain indicators of impairment such as significant change in asset usage, significant decline in asset's market value, obsolescence or physical damage of an asset, plans of discontinuing the real estate projects, and significant negative industry or economic trends.

If such indicators are present, and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to recoverable amount.

The recoverable amount is the asset's fair value less cost of disposal, except for investments in associates, which have recoverable value determined using value-in-use. The fair value less cost of disposal 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 investments in associates. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

As at December 31, 2019 and 2018, there are no indications of impairment.



The carrying values of the Group's nonfinancial assets (excluding goodwill) as of December 31 follow:

	2019	2018
	(In Thousands)	
Other current assets - net of short-term deposits (Note 11)	₱4,340,799	₱3,855,538
Investments in associates (Note 12)	4,170,682	4,056,019
Investment properties (Note 13)	61,321,185	50,018,371
Property and equipment (Note 14)	3,288,718	3,833,120
Right-of-use assets (Notes 2 and 15)	5,247,802	—
Other noncurrent assets - net of financial assets at FVOCI (Note 16)	5,115,225	4,945,894

Contingencies

In the normal course of business, the Group is currently involved in various legal proceedings and assessments. The assessment of probability and estimate of the probable costs for the resolution of these claims have been developed in consultation with outside counsel handling the defense in these matters and based upon analysis of potential results. The Group currently does not believe these proceedings will have material or adverse effect on the Group's financial position and results of operations (see Note 31).

Use of Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue Recognition and Measure of Progress for Real Estate Sales

The Group's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of physical completion of real estate project.

For the year ended December 31, 2019 and 2018, real estate sales amounted to ₱17.01 billion and ₱14.40 billion, respectively (see Note 6).

Evaluation of Impairment of Contract Receivables and Contract Assets

The Group uses the vintage analysis to calculate ECLs for contracts receivables and contract assets. The loss rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, market segment and collateral type).

The vintage analysis (the model) are initially based on the Group's historical observed default rates. The Group will calibrate the model to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g., gross domestic product, inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions (e.g., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The



Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's contract receivables and contract assets is disclosed in Note 8.

The carrying values of contract receivables and contract assets are as follows:

	2019	2018
	(In Thousands)	
Contracts receivables (Note 8)	₱1,446,192	₱800,850
Contract assets (Note 6)	13,115,742	10,042,105

Evaluation of impairment of contract receivables (Prior to January 1, 2018)

The Group maintains allowance for impairment losses at a level based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value.

The collective assessment would require the Group to group its receivables based on the credit risk characteristics (e.g., industry, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. The assessment also considers that title of the property passes on to the buyer only when the receivable is fully collected.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

Leases - Estimating the incremental borrowing rate to measure lease liabilities

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The incremental borrowing rate used by the Group to measure lease liabilities range from 8.18% to 8.54% in 2019.

The Group's lease liabilities amounted to ₱5,870.06 million as of December 31, 2019 (see Note 15).

Estimating NRV of Real Estate Inventories

The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether the selling prices of those inventories have significantly declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be



incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

As of December 31, 2019 and 2018, the carrying amount of real estate inventories amounted to ₱63.08 billion and ₱67.85 billion, respectively (see Note 10). No impairment adjustments were recognized in 2019 and 2018 since the costs are lower than NRV.

Evaluation of Impairment on Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill on acquisition of CPI, FAC and Festival Supermall structure is based on value-in-use calculation that uses a discounted cash flow model. The cash flows are derived from budget period of 10 years and do not include restructuring activities that the Group is not yet committed to nor significant future investments that will enhance the asset base of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as revenue growth rates, gross margins and terminal growth rates used. The pre-tax discount rates used in 2019 and 2018 was 10%. The growth rates used beyond the forecast period for different cash-generating units is 3%.

As of December 31, 2019 and 2018, the Group has determined that its goodwill is not impaired. The carrying value of goodwill amounted to ₱4.57 billion as of December 31, 2019 and 2018 (see Note 4).

Estimating Retirement Liabilities

The determination of the Group's obligation and cost for retirement is dependent on selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions used are described in Note 25 and include, among others, discount rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the retirement obligations.

Retirement liabilities amounted to ₱512.44 million and ₱598.40 million as at December 31, 2019 and 2018, respectively. Retirement costs included under "General and administrative expenses" account amounted to ₱82.54 million, ₱66.74 million and ₱50.94 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Notes 21 and 25).

Recognition of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profit to allow all or part of its deferred income tax assets to be utilized.

The Group's recognized deferred tax assets amounted to ₱1,559.07 million and ₱347.59 million as of December 31, 2019 and 2018, respectively (see Note 28). The tax effect of the Group's carryforward benefits of NOLCO for which no deferred income tax assets were recognized amounted to ₱95.75 million and ₱42.16 million as of December 31, 2019 and 2018, respectively (see Note 28).

Fair Values of Financial Instruments

The preparation of consolidated financial statements in compliance with PFRS requires certain financial assets and financial liabilities to be measured at fair value and fair value disclosure of financial instruments, the determination of which requires the use of extensive accounting estimates



and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rate), the amount of changes in fair value would differ due to usage of different valuation methodology. Any changes in fair value of these financial assets and financial liabilities would affect directly the Group's consolidated statement of income and other comprehensive income (see Note 29).

4. Goodwill

Goodwill arising from business combinations in the Group's consolidated statements of financial position as of December 31, 2019 and 2018 consists of (amounts in thousands):

Festival Supermall structure	₱3,745,945
FAC	494,744
CPI	326,553
	<u>₱4,567,242</u>

In September 2006, the Group entered into a series of transactions pursuant to which it acquired: (1) 60% ownership interest in FAC from FDC; (2) 60% ownership interest in CPI from FAI; and, (3) Festival Supermall structure from FAI. In exchange for acquiring these assets, the Group issued a total of 5.64 billion common shares to FDC and FAI and assumed ₱2.50 billion outstanding debts of FDC and FAI. The business combinations resulted in the recognition of goodwill amounting to ₱4.24 billion, which comprises the fair value of expected synergies arising from the acquisitions.

Subsequently in February 2010, the Parent Company acquired the remaining 40% interests in CPI from Africa-Israel Properties (Phils.), Inc. to obtain full control of the then joint venture. The acquisition resulted in CPI becoming wholly-owned subsidiary of the Parent Company. The acquisition of the joint venture partner's interests was accounted for as business combination and resulted to recognition of goodwill amounting to ₱326.55 million.

As of December 31, 2019 and 2018, the recoverable value of the cash generating units to which the goodwill pertains is in excess of the carrying value of the cash generating units, thus, no impairment has been recognized.

5. Segment Reporting

For management purposes, the Group is organized into the following business units:

Real Estate

This involves the acquisition of land, planning and development of large-scale, fully integrated residential communities, as well as the development and sale of residential lots, housing units, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club and condominium buildings.

Leasing

This involves the operations of Festival Supermall, Fora Tagaytay, Centro Square and Il Corso, including its management and theater operations, and the leasing of commercial and office spaces in Makati City, Muntinlupa City, Pasay City, Bacoar City, Tagaytay City, Cebu City and Clark.



Management monitors the operating results of each of its business units for purposes of resource allocation and performance assessment. Performance of each segment is evaluated based on their profit and loss or net income.

The chief operating decision-maker of the Group is the Executive Committee. The committee reviews internal reports to assess performance and allocate resources. Based on the reports, it is also able to determine both the operating and non-operating segments. Reporting by geographical segments does not apply as the Group currently operates in the Philippines only.

No operating segments have been aggregated to form the above reportable segments. Transfer prices between segments are based on rates agreed upon by the parties and have terms equivalent to transactions entered into with third parties.

For the years ended December 31, 2019, 2018 and 2017, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

The information about the financial position and results of operations of these business segments for the years ended December 31, 2019, 2018 and 2017 are summarized below (amounts in thousands).

	2019				
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue					
External	₱17,013,120	₱7,008,742	₱24,021,862	₱–	₱24,021,862
Inter-segment	34,362	–	34,362	(34,362)	–
	17,047,482	7,008,742	24,056,224	(34,362)	24,021,862
Equity in net earnings of associates	401,525	–	401,525	–	401,525
Other income	1,935,747	632,521	2,568,268	(1,318,345)	1,249,923
	₱19,384,754	₱7,641,263	₱27,026,017	(₱1,352,707)	₱25,673,310
Net income	₱4,760,397	₱2,342,253	₱7,102,650	(₱582,850)	₱6,519,800
Adjusted EBITDA	₱6,003,896	₱6,203,684	₱12,207,580	(₱520,774)	₱11,686,806
Segment assets	₱130,313,658	₱49,609,668	₱179,923,326	(₱6,226,895)	₱173,696,431
Less net deferred tax assets	3,019	49,416	52,435	–	52,435
Net segment assets	₱130,310,639	₱49,560,252	₱179,870,891	(₱6,226,895)	₱173,643,996
Segment liabilities	₱70,604,255	₱31,548,256	₱102,152,511	(₱620,373)	₱101,532,138
Less net deferred tax liabilities	6,057,332	361,238	6,418,570	94,043	6,512,613
Net segment liabilities	₱64,546,923	₱31,187,018	₱95,733,941	(₱714,416)	₱95,019,525
Cash flows provided by (used in):					
Operating activities	₱4,646,540	₱5,503,996	₱10,150,536	(₱1,225,412)	₱8,925,124
Investing activities	(2,769,256)	(6,319,676)	(9,088,932)	–	(9,088,932)
Financing activities	(1,591,008)	87,525	(1,503,483)	21,352	(1,482,131)
	2018				
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue					
External	₱14,404,201	₱5,608,258	₱20,012,459	₱–	₱20,012,459
Inter-segment	181,464	–	181,464	(181,464)	–
	14,585,665	5,608,258	20,193,923	(181,464)	20,012,459
Equity in net earnings of associates	537,017	–	537,017	–	537,017
Other income	3,185,166	467,407	3,652,573	(1,996,864)	1,655,709
	₱18,307,848	₱6,075,665	₱24,383,513	(₱2,178,328)	₱22,205,185
Net income	₱4,221,922	₱2,781,968	₱7,003,890	(₱928,017)	₱6,075,873
Adjusted EBITDA	₱5,889,623	₱4,365,338	₱10,254,961	(₱1,010,526)	₱9,244,435

(Forward)



	2018				
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Segment assets	₱123,063,731	₱40,146,945	₱163,210,676	(₱4,350,193)	₱158,860,483
Less net deferred tax assets	—	85,979	85,979	—	85,979
Net segment assets	₱123,063,731	₱40,060,966	₱163,124,697	(₱4,350,193)	₱158,774,504
Segment liabilities	₱67,607,723	₱24,020,736	₱91,628,459	(₱39,598)	₱91,588,861
Less net deferred tax liabilities	5,712,303	208,272	5,920,575	91,099	6,011,674
Net segment liabilities	₱61,895,420	₱23,812,464	₱85,707,884	(₱130,697)	₱85,577,187
Cash flows provided by (used in):					
Operating activities	₱3,121,748	₱4,940,018	₱8,061,766	(₱1,147,303)	₱6,914,463
Investing activities	(1,175,318)	(3,705,098)	(4,880,416)	—	(4,880,416)
Financing activities	1,266,481	(4,499,650)	(3,233,169)	42,592	(3,190,577)
	2017				
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue					
External	₱13,748,423	₱4,414,665	₱18,163,088	₱—	₱18,163,088
Inter-segment	212,420	—	212,420	(212,420)	—
	13,960,843	4,414,665	18,375,508	(212,420)	18,163,088
Equity in net earnings of associates	350,213	—	350,213	—	350,213
Other income	2,542,934	215,221	2,758,155	(1,001,805)	1,756,350
	₱16,853,990	₱4,629,886	₱21,483,876	(₱1,214,225)	₱20,269,651
Net income	₱4,119,188	₱2,308,392	₱6,427,580	(₱593,399)	₱5,834,181
Adjusted EBITDA	₱5,755,479	₱3,590,868	₱9,346,347	(₱569,237)	₱8,777,110
Segment assets	₱108,687,267	₱37,599,443	₱146,286,710	(₱1,164,791)	₱145,121,919
Less net deferred tax assets	—	48,655	48,655	—	48,655
Net segment assets	₱108,687,267	₱37,550,788	₱146,238,055	(₱1,164,791)	₱145,073,264
Segment liabilities	₱57,488,139	₱24,000,102	₱81,488,241	₱132,635	₱81,620,876
Less net deferred tax liabilities	4,959,958	215,626	5,175,584	122,856	5,298,440
Net segment liabilities	₱52,528,181	₱23,784,476	₱76,312,657	₱9,779	₱76,322,436
Cash flows provided by (used in):					
Operating activities	₱6,694,800	₱4,319,873	₱11,014,673	(₱1,856,764)	₱9,157,909
Investing activities	1,413,388	(8,206,670)	(6,793,282)	—	(6,793,282)
Financing activities	(2,579,371)	2,916,071	336,700	1,738	338,438

The following table shows a reconciliation of the adjusted earnings before interest and other finance charges, income taxes, depreciation and amortization (EBITDA) to income before income tax in the consolidated statement of income. Adjusted EBITDA is the Group's EBITDA adjusted by the equity in net earnings from associates for the year:

	2019	2018	2017
	(In Thousands)		
Adjusted EBITDA	₱11,686,806	₱9,244,435	₱8,777,110
Depreciation and amortization (Notes 13, 14, 15 and 16)	(1,320,598)	(810,629)	(769,461)
Operating profit	10,366,208	8,433,806	8,007,649
Interest and other finance charges (Note 23)	(2,492,965)	(1,192,441)	(1,062,705)
Equity in net earnings of an associate (Note 12)	401,525	537,017	350,213
Income before income tax	₱8,274,768	₱7,778,382	₱7,295,157



6. Revenue from Contracts with Customers

Disaggregated Revenue Information

The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

	2019	2018	2017
	(In Thousands)		
Real estate sales by market segment			
Medium income	₱9,480,551	₱8,014,917	₱6,850,840
Affordable	3,490,925	3,280,057	3,796,934
Low affordable	1,924,766	1,490,456	1,097,191
High-end	1,771,683	1,344,593	1,828,981
Socialized	345,195	274,178	174,477
	17,013,120	14,404,201	13,748,423
Cinema operations by type of goods or services (included as part of rental and related services)			
Theater sales	150,565	129,333	100,288
Snack bar sales	22,526	16,201	12,370
	173,091	145,534	112,658
Total revenue from contracts with customers	17,186,211	14,549,735	13,861,081
Rental and related services			
Office leasing	5,170,892	3,858,191	2,838,640
Mall operations	1,664,759	1,604,533	1,463,367
	6,835,651	5,462,724	4,302,007
Total Revenue	₱24,021,862	₱20,012,459	₱18,163,088

The Group's real estate sales and theater sales are revenue from contracts with customers which are recognized over time while revenue from snack bar sales is recognized at a point in time.

As of December 31, 2019, contract balances are as follows:

	Current	Noncurrent	Total
	(In Thousands)		
Contracts receivable	₱1,446,192	₱—	₱1,446,192
Contract assets	5,998,421	7,117,321	13,115,742
Contract liabilities	972,758	779,648	1,752,406

As of December 31, 2018, contract balances are as follows:

	Current	Noncurrent	Total
	(In Thousands)		
Contracts receivable	₱800,850	₱—	₱800,850
Contract assets	3,798,831	6,243,274	10,042,105
Contract liabilities	2,156,955	1,053,221	3,210,176

Contracts receivable from real estate sales are collectible in equal monthly principal installments in varying periods of two (2) to ten (10) years. Interest rates per annum range from 11.5% to 19.0%. Titles to the residential units sold transferred to customers upon full payment of the contract price.



Contract assets represent the right to consideration for assets already delivered by the Group in excess of the amount recognized as contracts receivable. Contract assets is reclassified to contracts receivable when monthly amortization of customer is due for collection.

In 2019 and 2018, the Parent Company entered into an Agreement for Purchase of Contract Assets with a local bank. The bank agreed to buy the contract assets on a without recourse basis, and the Parent Company agreed to sell, assign, transfer and convey to the bank all its rights, titles, and interest in and to the contract assets. Total proceeds from these transactions equivalent to the carrying value of the contract assets sold as of December 31, 2019 and 2018 amounted to ₱1.50 billion and ₱1.45 billion, respectively.

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the good and services transferred based on percentage of completion. The movement in contract liability arise mainly from revenue recognition of completed performance obligations.

Performance Obligation

Information about the Group's performance obligations are summarized below:

Real estate sales

The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of a real estate unit may cover either (a) a lot; (b) house and lot and (c) condominium unit. There is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the purchase application form and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include downpayment of 20% to 30% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results in either a contract asset or contract liability.

The performance obligation is satisfied upon delivery of the completed real estate unit. The Group provides one year warranty to repair minor defects on the delivered house and lot and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2019 amounted to ₱1.79 billion. Performance obligation for the transaction price amounting to ₱1.23 billion will be satisfied within one year.

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's mid-rise condominium units and high rise condominium units are completed within three (3) and five (5) years, respectively, from start of construction while house and lots are expected to be completed within 12 months.



Rental agreements

The Group entered into lease agreements for its mall retail spaces and office spaces with the following identified performance obligations: (a) lease of space (b) provisioning of water and electricity and (c) provision of air conditioning and CUSA services (d) administration fee.

Revenue from lease of space is recognized on a straight line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to settle within 7 to 20 days upon receipt of the bill. In case of delay in payments, a penalty of 3% to 36% per annum is charged for the amount due for the duration of delay. The lease arrangement would typically require a tenant to pay advance rental equivalent to three (3) months and a security deposit equivalent to three (3) months rental to cover any breakages after the rental period, with the excess returned to the tenant.

Cost to Obtain Contracts and Contract Fulfillment Assets

The rollforward of the cost to obtain contract included in the other current assets is as follows:

	2019	2018
	(In Thousands)	
Balance at beginning of year	₱278,122	₱—
Reclassification from prepaid expense (Note 11)	—	789,574
Impact of adoption of PFRS 15	—	(446,834)
Additions	908,319	599,040
Amortization	(718,634)	(663,658)
Balance at end of year (Note 11)	₱467,807	₱278,122

For the year ended December 31, 2019, additions and amortization of contract fulfillment costs amounted to ₱0.28 billion and ₱0.53 billion, respectively. Contract fulfillment assets is included as part of real estate inventories.

The Group reviews its major contracts to identify indicators of impairment of contract fulfillment assets by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract.

In determining estimated amount of consideration, the Group uses the same principles in determining contract transaction price.

It is the Group's accounting policy, as set out in Note 2, that if a contract or specific performance obligation has exhibited marginal profitability or other indicators of impairment, judgement is applied to ascertain whether the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.



7. Cash and Cash Equivalents

This account consists of:

	2019	2018
	(In Thousands)	
Cash	₱2,321,835	₱3,466,317
Cash equivalents	2,451,786	2,953,243
	₱4,773,621	₱6,419,560

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk of change in value.

Interest income earned on the Group's cash and cash equivalents amounted to ₱18.96 million, ₱64.44 million and ₱43.32 million in 2019, 2018 and 2017, respectively (see Note 23).

There is no restriction on the Group's cash and cash equivalents as at December 31, 2019 and 2018.

8. Contracts Receivable

This account consists of:

	2019	2018
	(In Thousands)	
Contracts receivable	₱1,253,612	₱623,413
Receivables from government and financial institutions	192,580	177,437
	₱1,446,192	₱800,850

Contracts receivable are collectible over varying periods within two (2) to ten (10) years. The receivables arising from real estate sales are collateralized by the corresponding real estate properties sold. The Group records any excess of progress work over the right to an amount of consideration that is unconditional (i.e., contracts receivable) as contract assets (see Note 6).

Receivables from government and financial institutions pertain to government and bank-financed real estate sales. Receivables from government and financial institutions are collectible within one year.

Interest income recognized on contracts receivable amounted to ₱403.85 million, ₱809.51 million and ₱805.76 million in 2019, 2018 and 2017, respectively (see Note 23). Interest rates per annum on contracts receivable range from 11.5% to 19.0% for these years.

The Group has a mortgage insurance contract with Home Guaranty Corporation (HGC), a government insurance company for a retail guaranty line. As of December 31, 2019 and 2018, the contracts (comprise of both contract receivables and contract assets) covered by the guaranty line amounted to ₱0.80 billion and ₱1.01 billion, respectively. As of December 31, 2019 and 2018, the remaining unutilized guaranty line amounted to ₱2.06 billion and ₱2.38 billion, respectively.



As of December 31, 2019 and 2018, no impairment losses were recognized from contracts receivables.

9. Other Receivables

	2019	2018
	(In Thousands)	
Receivables from tenants	₱1,742,836	₱1,338,738
Advances to officers and employees	451,472	400,965
Due from related parties (Notes 12 and 20)	687,667	433,287
Receivables from homeowners' associations	155,226	142,029
Receivables from buyers	139,875	60,919
Others	38,962	13,416
	3,216,038	2,389,354
Less: Allowance for expected credit losses	40,993	40,993
	₱3,175,045	₱2,348,361

“Receivables from tenants” represent charges to tenants for rentals and utilities normally collectible within a year. Allowance for expected credit losses related to tenants’ accounts specifically determined to be impaired amounted to ₱25.13 million as of December 31, 2019 and 2018. Provision for expected credit losses recorded in 2017 amounted to ₱4.96 million and nil for 2019 and 2018.

“Advances to officers and employees” represent advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

“Receivables from homeowners’ associations” represent claims from the homeowners’ association of the Group’s projects for the payment of the expenses on behalf of the association. Allowance for expected credit losses related to these receivables, determined using collective impairment assessment, amounted to ₱15.86 million as of December 31, 2019 and 2018. Reversal of provision for expected credit losses amounted to ₱21.40 million in 2018 and nil for years 2019 and 2017.

“Receivables from buyers” mainly pertain to advances for fit-out funds and other advances relating to insurance and other chargeable expenses to buyers which are normally collectible within a year.

“Others” represent advances for selling, marketing, and administrative expenses of international sales offices, arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

Below is the movement of the allowance for expected credit losses of other receivables:

	2019	2018
	(In Thousands)	
Balance at beginning of year	₱40,993	₱62,393
Reversal of provisions (Note 21)	–	(21,400)
Balance at end of year	₱40,993	₱40,993



10. Real Estate Inventories

This account consists of:

	2019	2018
	(In Thousands)	
Real estate inventories - at cost		
Lots, condominium and residential units for sale	₱38,851,977	₱42,244,626
Land and land development	24,166,459	25,608,402
	₱63,018,436	₱67,853,028

A summary of the movement in lots, condominium and residential units for sale is set out below:

	2019	2018
	(In Thousands)	
Balance at beginning of year	₱42,244,626	₱33,455,903
Land costs transferred from land and land development	1,510,868	827,168
Construction/development costs incurred	4,079,159	15,369,413
Capitalized borrowing costs	871,195	931,350
Cost of real estate sales	(9,853,871)	(8,339,208)
	₱38,851,977	₱42,244,626

Capitalization rate for the capitalized borrowing costs is 1.5%, 2% and 2% in 2019, 2018 and 2017, respectively.

A summary of the movement in land and land development is set out below:

	2019	2018
	(In Thousands)	
Balance at beginning of year	₱25,608,402	₱18,843,215
Land acquisitions (Note 20)	1,955,859	7,064,212
Land costs transferred to lots, condominium and residential units for sale	(1,510,868)	(827,168)
Transfers to investment property (Note 13)	(1,965,794)	(286,719)
Site development and incidental costs	78,860	814,862
	₱24,166,459	₱25,608,402

As of December 31, 2019 and 2018, on account additions to land and land development which remain outstanding amounted to ₱2.89 billion and ₱3.51 billion, respectively, and these are recognized as part of "Accounts payable and accrued expense" (see Note 17).

Borrowing costs capitalized as part of land and land development, where activities necessary to prepare it for its intended use is ongoing, amounted to ₱102.37 million, ₱126.19 million and ₱19.37 million for the years ended December 31, 2019, 2018 and 2017, respectively. Capitalization rate is 4.5%, 3.4% and 2.5% in 2019, 2018 and 2017, respectively.

Acquisition of land and land development included under cash flows used in operating activities amounted to ₱2.62 billion, ₱2.01 billion and ₱1.86 billion for the years ended December 31, 2019, 2018 and 2017, respectively.



In 2015, the Parent Company, CPI and FAI acquired additional 19.2 hectares of South Road Properties from Cebu City Government for a total consideration of ₱3.38 billion plus interest (including ₱1.69 billion attributable to lots assigned to FAI). Of this amount, ₱2.35 billion has been paid as of December 31, 2017. The purchase transaction was completed upon full payment of the purchase price on December 17, 2019.

In 2019, lots amounting to ₱1.97 billion were transferred from real estate inventories to investment properties as a result of the change in use of these lots (see Note 13). Lots under CPI are included as part of investment properties as of December 31, 2019 and 2018 (see Notes 13, 17 and 34).

11. Other Current Assets

This account consists of:

	2019	2018
	(In Thousands)	
Input taxes	₱2,283,008	₱2,113,735
Creditable withholding taxes	850,441	712,792
Cost to obtain contract (Note 6)	467,807	278,122
Prepaid expenses	427,695	356,746
Advances to contractors and suppliers	257,465	336,670
Construction materials and supplies	54,383	57,473
Short-term deposits (Note 31)	47,685	18,794
	₱4,388,484	₱3,874,332

“Input taxes” pertains to VAT passed on from purchases of goods or services which is applied against output VAT.

“Creditable withholding taxes” are the taxes withheld by the withholding agents from payments to the sellers which is creditable against the income tax payable.

“Cost to obtain contract” includes commissions paid to brokers relating to the sale of real estate inventories which did not qualify for revenue recognition.

“Prepaid expenses” consist of prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

“Advances to contractors and suppliers” pertain to down payments made by the Group which are applied against future billings for development and construction contracts of real estate inventories.

“Construction materials and supplies” pertain to inventories to be used in the construction and maintenance of projects.



12. Investments in Associates

This account consists of:

	2019	2018
	(In Thousands)	
At equity:		
Acquisition cost		
Balance at the beginning and end of year	₱837,829	₱837,829
Corporate Technologies, Inc. (CTI)	51,300	—
Pro-Excel	17,490	—
Balance at end of year	906,619	837,829
Accumulated equity in net earnings:		
Balance at the beginning of year, as previously stated	979,974	1,120,957
Impact of adoption of PFRS 16 (Note 2)	48,348	—
Balance at the beginning of year, as restated	1,028,322	1,120,957
Equity in net earnings for the year	401,525	537,017
Dividend declaration	(404,000)	(678,000)
Balance at end of year	1,025,847	979,974
Share in revaluation increment on land at deemed cost*	1,876,422	1,876,422
Share in other components of equity	361,794	361,794
	₱4,170,682	₱4,056,019

*Presented as part of retained earnings in the consolidated statement of changes in equity.

As of December 31, the carrying value of the Group's investment in associates follows:

	2019	2018
	(In Thousands)	
FAI	₱4,030,474	₱4,030,489
FMI	70,902	25,530
CTI	51,816	—
Pro-excel	17,490	—
	₱4,170,682	₱4,056,019

CTI

As of December 31, 2018, investment in CTI was reported under "Other noncurrent assets" due to pending SEC approval and issuance of amended articles of incorporation. In 2019, the 30% interest in CTI of the Parent Company was classified as an investment in associate. CTI is primarily involved in information technology service management. Share in net earnings of CTI amounted ₱0.52 million for the year ended December 31, 2019.

Pro-Excel

On December 26, 2019, CPI and FCI, wholly owned subsidiaries of the Parent, entered into a Deed of Assignment to sell ownership in Pro-Excel to FAI. The sale resulted to a loss of control in Pro-Excel and deconsolidation by the Group. As of December 31, 2019, the remaining ownership of the Parent Company in Pro-Excel is 46%. No significant transaction transpired between the date of sale and reporting date resulting in no share in net earnings of Pro-Excel for the year ended December 31, 2019 (see Note 2).



FAI

The Parent Company has a 20% interest in FAI which is involved primarily in the development of commercial buildings, residential condominiums and land. FAI is also involved in leasing of commercial real estate and marketing.

Dividends declared by FAI for the years ended December 31, 2019, 2018 and 2017, and the corresponding share of the Group are as follows:

Year	Total Dividends Declared	Share in Dividends	Dividend Receivable
	(In Thousands)		
2019	₱2,020,000	₱404,000	₱404,000
2018	3,390,000	678,000	384,000
2017	1,000,000	200,000	160,000

The Group's share in dividends amounting to ₱404.00 million from FAI is still outstanding as of December 31, 2019 (see Note 34).

Summarized financial information and reconciliation of investment in FAI is as follows:

	2019	2018
	(In Thousands)	
Current assets	₱14,619,142	₱18,678,126
Noncurrent assets	23,377,928	19,954,740
Total assets	37,997,070	38,632,866
Current liabilities	5,086,846	6,772,655
Noncurrent liabilities	9,587,647	8,977,706
Total liabilities	14,674,493	15,750,361
Equity	₱23,322,577	₱22,882,505
Proportion of the Group's ownership	20%	20%
Equity in net assets of associate	₱4,664,515	₱4,576,501
Less upstream sales	634,041	546,012
Carrying amount of the investment	₱4,030,474	₱4,030,489
Revenue and other income	₱6,164,284	₱6,941,467
Cost and other expenses	(2,917,065)	(2,792,266)
Depreciation	(217,802)	(238,052)
Interest expense	(211,063)	(153,760)
Interest income	39,060	29,354
Income before tax	2,857,414	3,786,743
Income tax expense	856,226	1,120,422
Net income for the year	₱2,001,188	₱2,666,321
Group's equity in net earnings of associate	₱400,238	₱533,264

FMI

In 2016, FMI was incorporated and operating in the Philippines and handles the lease of the Mimosa Leisure Estate. The Parent Company subscribed for 47.5% of FMI's capital stock amounting to ₱37.83 million. For the years ended December 31, 2019, 2018 and 2017, share in net earnings of FMI amounted to ₱0.77 million, ₱3.75 million and ₱0.38 million, respectively.



The Group does not restrict profit distribution of its associates. The associates have no contingent liabilities outside of the ordinary course of business or capital commitments as at December 31, 2019 and 2018.

On January 1, 2019, FMI adopted PFRS 16, *Leases*, resulting in a transition adjustment in FMI's retained earnings which resulted in the restatement in the beginning investment in FMI amounting to ₱48.35 million (see Note 2).

Aggregate financial information on the associates with immaterial interest (FMI, CTI and Proexcel) follows:

	2019	2018
	(In Thousands)	
Carrying Amount	₱140,208	₱25,530
Share in net income from continuing operations	1,287	3,753
Share in total comprehensive income	1,287	3,753

13. Investment Properties

The rollforward analysis of this account as of December 31 follows:

	2019				
	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
	(In Thousands)				
Cost					
Balances at beginning of year	₱13,462,960	₱27,084,861	₱98,061	₱14,272,872	₱54,918,754
Additions	16,598	984,853	10,832	8,376,525	9,388,808
Transfers (Notes 10 and 14)	2,291,754	599,789	55,921	–	2,947,464
Balances at end of year	15,771,312	28,669,503	164,814	22,649,397	67,255,026
Accumulated Depreciation					
Balances at beginning of year	–	4,839,921	60,462	–	4,900,383
Impact of adoption of PFRS 16 (Note 2)	–	31,519	–	–	31,519
Balances at beginning of year, as restated	–	4,871,440	60,462	–	4,931,902
Depreciation (Note 21)	–	767,317	34,575	–	801,892
Transfers (Notes 10 and 14)	–	148,124	51,923	–	200,047
Balances at end of year	–	5,786,881	146,960	–	5,933,841
Net Book Value	₱15,771,312	₱22,882,622	₱17,854	₱22,649,397	₱61,321,185

	2018				
	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
	(In Thousands)				
Cost					
Balances at beginning of year	₱13,171,936	₱24,717,777	₱95,754	₱10,840,566	₱48,826,033
Additions	4,305	2,367,084	2,307	3,432,306	5,806,002
Transfers (Note 10)	286,719	–	–	–	286,719
Balances at end of year	13,462,960	27,084,861	98,061	14,272,872	54,918,754
Accumulated Depreciation					
Balances at beginning of year	–	4,262,219	57,510	–	4,319,729
Depreciation (Note 21)	–	577,702	2,952	–	580,654
Balances at end of year	–	4,839,921	60,462	–	4,900,383
Net Book Value	₱13,462,960	₱22,244,940	₱37,599	₱14,242,872	₱50,018,371



As of December 31, 2019 and 2018, land includes South Road Properties acquired from Cebu City Government in 2015 (see Notes 10 and 31). Construction in progress pertain to buildings under construction to be leased as retail and office spaces upon completion.

Borrowing costs capitalized as part of investment properties amounted to ₱404.10 million, ₱983.75 million and ₱1.13 billion, in 2019, 2018 and 2017, respectively. Capitalization rate used is 2.43% to 6.47%, 1.46% to 7.65%, and 1.6% to 5.1% in 2019, 2018 and 2017.

As of December 31, 2019 and 2018, on account additions to investment properties which remain outstanding amounted to ₱727.62 million and ₱440.26 million, respectively, and these are recognized as part of “Accounts payable and accrued expense” (see Note 17).

The aggregate fair value of the Group’s investment properties amounted to ₱204.41 billion and ₱71.55 billion as of December 31, 2019 and 2018, respectively, based on third party appraisals performed in 2019 by an SEC accredited independent appraiser and management appraisal updated using current and year-end values and assumptions. The fair value of investment properties was determined using the Income Approach based on discounted cash flow analysis for buildings and Market approach for land.

Under the Income Approach, all expected cash flow from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations.

Market data approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available. For market data approach, the higher the rise per sqm., the higher the fair value.

The significant unobservable inputs to valuation of investment properties include the income produced by the property for buildings and the price per square meter ranging from ₱46,000 to ₱275,000 for the land.

Rental income from investment properties amounted to ₱6.84 billion, ₱5.47 billion and ₱4.30 billion in 2019, 2018 and 2017, respectively (see Note 6). Cost of rental services arising from investment properties is as follows:

	2019	2018	2017
	(In Thousands)		
Depreciation	₱600,409	₱568,228	₱479,173
Mall operations	347,525	400,135	391,627
Others	110,923	110,392	78,657
	₱1,058,857	₱1,078,755	₱949,457

“Others” pertain to cost of ticket sales and snack bar sales. The Group classifies the depreciation of fit out cost and machinery and equipment related to the common area and air-conditioning as part of the maintenance and air-conditioning dues that are collected from the tenants. In 2019, 2018 and 2017, depreciation expense recognized as part of “Rental and related services” revenue amounted to ₱201.48 million, ₱55.69 million and ₱83.04 million, respectively.

Deed of Sale on Installment of the 19.2-hectare South Road Properties (SRP)

In July 2015, FLI, CPI and FAI (collectively referred to as Filinvest Consortium) won the bidding for a 19.20-hectare lot in Cebu’s SRP (see Notes 10 and 13). Thereafter, on August 7, 2015, Filinvest Consortium entered into a Deed of Sale on Installment (DSI) with the Cebu City Government. In a



letter dated January 6, 2017, the Cebu City Mayor questioned the validity of the sale and gave the buyers the option to withdraw from the sale at buyer's discretion. In a letter to the Cebu City Mayor dated February 7, 2017 (the Letter), Filinvest Consortium expressed its intention to rescind the DSI. Under the DSI, Cebu City undertook to comply with several covenants, undertakings and obligations no later than February 7, 2016 (or 180 days from execution of the DSI). The Letter pointed out that as of February 7, 2017, the said covenants, undertakings and obligations have not been complied with and it does not appear that these will be complied with within a foreseeable reasonable period of time.

The rescission of the DSI shall only take effect upon return by Cebu City of the down payment and installment payments made to Cebu City by Filinvest Consortium, plus interests, within ninety (90) days from receipt of the Letter in accordance with Section 5.7 of the DSI. Pending receipt of such payments, the DSI shall remain valid and subsisting by and among the parties.

As of February 27, 2019, such payment has not been received and no formal and definitive legal proceeding has been undertaken by the parties on this matter. Consequently, as of said date, the DSI remains valid and Filinvest Consortium has the sole and rightful claim over the property.

The 19.2-hectare property mentioned above is a separate property from the other two properties within the SRP which were acquired from Cebu City: a) the 40-hectare property under a joint venture undertaking with Cebu City; and b) the 10-hectare property which was already paid in full by FLI to Cebu City.

On August 2, 2019, Filinvest Consortium informed Cebu City that the payments will be judicially consigned in accordance with law considering that to date, Cebu City has not yet returned the payments with interest, thus, the conditional rescission has already expired. In response, Cebu City issued a letter dated October 4, 2019 to FLI Consortium and insisted that the latter has no longer any debt to Filinvest Consortium as the DSI was effectively rescinded. Cebu City reiterates its willingness to restitute the Filinvest Consortium of the amount it has already paid prior the rescission.

The Cebu City Government and Filinvest Consortium came to a resolution on January 8, 2020 with the full payment and the signing of the Deed of Absolute Sale. The Filinvest Consortium paid on December 17, 2019 the full amount of the purchase price of the lot plus the accumulated interest for the unpaid installments since 2017. Accordingly, the matter has been resolved.

The carrying value of the property amounted to ₱1.86 billion as of December 31, 2019.

14. Property and Equipment

The rollforward analysis of this account as of December 31 follows:

	2019					
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress
	(In Thousands)					
Cost						
Balances at beginning of year	₱2,974,591	₱878,418	₱140,859	₱112,224	₱91,610	₱474,345
Additions	69,471	421,463	17,581	5,947	1,151	26,171
Disposals/Transfers (Note 13)	(925,749)	(72,209)	(5,218)	(15,865)	—	(46,841)
Balances at end of year	2,118,313	1,227,672	153,222	102,306	92,761	453,675
						4,147,949

(Forward)



2019							
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Accumulated Depreciation and Amortization							
Balances at beginning of year	₱290,582	₱326,718	82,479	71,193	67,955	–	838,927
Depreciation and amortization (Note 21)	188,373	77,632	22,980	4,164	11,416	–	304,565
Disposals/Transfers (Note 13)	(200,670)	(68,213)	(2,800)	(12,234)	(344)	–	(284,261)
Balances at end of year	278,285	336,137	102,659	63,123	79,027	–	859,231
Net Book Value	₱1,840,028	₱891,535	₱50,563	₱39,183	₱13,734	₱453,675	₱3,288,718

2018							
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
(In Thousands)							
Cost							
Balances at beginning of year	₱2,799,679	₱568,631	₱160,606	₱109,688	₱84,652	₱470,533	₱4,193,789
Additions	204,497	352,341	21,497	10,491	8,044	3,812	600,682
Disposals	(29,585)	(42,554)	(41,244)	(7,955)	(1,086)	–	(122,424)
Balances at end of year	2,974,591	878,418	140,859	112,224	91,610	474,345	4,672,047
Accumulated Depreciation and Amortization							
Balances at beginning of year	208,008	342,443	105,271	74,029	55,726	–	785,477
Depreciation and amortization (Note 21)	102,298	39,038	18,452	5,119	13,315	–	178,222
Disposals	(19,724)	(54,763)	(41,244)	(7,955)	(1,086)	–	(124,772)
Balances at end of year	290,582	326,718	82,479	71,193	67,955	–	838,927
Net Book Value	₱2,684,009	₱551,700	₱58,380	₱41,031	₱23,655	₱474,345	₱3,833,120

On August 1, 2019, Timberland Sports and Nature Club, Inc. (TSNC) ceased its operations due to change of the primary purpose of TSNC from that of an exclusive recreational sports club to a real estate development company. As the use of these assets were changed for leasing purposes, property and equipment amounting to ₱981.67 million, gross of accumulated depreciation of ₱200.05 million, were transferred to investment properties (see Note 13).

As of December 31, 2019 and 2018, on account additions to property and equipment which remain outstanding amounted to ₱5.88 million and ₱2.24 million, respectively, and these are recognized as part of “Accounts payable and accrued expenses” (see Note 17).

15. Leases

Group as lessee

The Group has lease contracts for land as of January 1, 2019. The Group’s obligations under its leases are secured by the lessor’s title to the leased assets. The Group has entered into land lease arrangements with lease terms of between 25 and 50 years. There are several leases that include extension option to lease the assets for additional 25 years based on mutual agreement of the parties.

As at December 31, 2019, the rollforward analysis of right-of-use assets on land follows (amounts in thousands):

Cost

At January 1, as previously reported	₱–
Effect of adoption of PFRS 16 (Note 2)	5,392,390
At January 1, as restated, and December 31	5,392,390

Accumulated Depreciation

At January 1	₱–
Depreciation (Note 21)	144,588
At December 31	144,588
Net Book Value	₱5,247,802



The following are the amounts recognized in the consolidated statement of income for the year ended December 31, 2019 (amounts in thousands):

Depreciation expense of right-of-use assets (included in general and administrative expenses) (Note 21)	₱144,588
Interest expense on lease liabilities (included in interest and other finance charges) (Note 23)	488,732
Total amount recognized in statement of income	₱633,320

As at December 31, 2019, the rollforward analysis of lease liabilities follows (amounts in thousands):

At January 1, as previously reported	₱—
Effect of adoption of PFRS 16 (Note 2)	5,677,269
At January 1, as restated	5,677,269
Interest expense (Note 23)	488,732
Payments	(295,937)
As at December 31, 2019	₱5,870,064
Lease liabilities - current portion	318,119
Lease liabilities - net of current portion	₱5,551,945

The Group also has certain lease of land with variable rental payments and lease of office space considered as 'low-value assets'. The Group applies the lease of 'low-value assets' recognition exemptions for these leases.

The following are the amounts recognized in statement of income for the year ended December 31, 2019 (amounts in thousands):

Variable lease payments (included in general and administrative expenses) (Note 23)	₱8,586
Expenses relating to leases of low-value assets (included in general and administrative expenses) (Note 23)	7,022
For the year December 31, 2019	₱15,608

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

	2019 (In Thousands)
1 year	₱318,119
more than 1 years to 2 years	327,406
more than 2 years to 3 years	343,323
more than 3 years to 4 years	355,504
more than 5 years	28,150,175



Group as lessor

As lessor, future minimum rental receivables under renewable operating leases as of December 31, 2019 and 2018 are as follows:

	2019	2018
	(In Thousands)	
Within one year	₱5,889,642	₱4,597,736
After one year but not more than five years	18,318,129	10,291,055
After five years	9,255,399	1,923,149
	₱33,463,170	₱16,811,940

The Group entered into lease agreements with third parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial malls are renewable within one year, except for anchor tenants with lease ranging from 5 to 15 years.

Rental income recognized based on a percentage of the gross revenue of mall tenants included in “Rental and related services” account in the consolidated statement of income amounted to ₱334.40 million, ₱289.57 million and ₱232.02 million in 2019, 2018 and 2017, respectively.

16. Other Noncurrent Assets

This account consists of:

	2019	2018
	(In Thousands)	
BTO rights (Note 32)	₱2,858,460	₱2,609,370
Advances to contractors and suppliers (Note 11)	1,467,249	1,512,631
Advances to joint venture partners	408,833	322,411
Deposits	325,544	387,388
Financial assets at FVOCI (Notes 30 and 31)	15,622	15,622
Other assets (Note 31)	248,084	237,486
	5,323,792	5,084,908
Less accumulated amortization	192,945	123,392
	₱5,130,847	₱4,961,516

“BTO rights” pertain to the cost related to the Build, Transfer and Operate agreement with The Province of Cebu (Cebu Province) entered into on March 26, 2012. The BTO project relates to the development, construction and operation of the Business Process Outsourcing (BPO) Complex by the Group at the land properties owned by Cebu Province located at Salinas, Lahug, Cebu City (see Note 31). As of December 31, 2019 and 2018, cost of completed portion of the BTO project amounted to ₱2.67 billion and ₱2.49 billion, respectively.



The rollforward analysis of BTO rights as of December 31 follows:

	2019	2018
	(In Thousands)	
Cost		
Balance at beginning of year	₱2,609,370	₱2,494,046
Additions	249,090	115,324
Balance at end of year	2,858,460	2,609,370
Accumulated Amortization		
Balance at beginning of year	123,392	71,640
Amortization	69,553	51,752
Balance at end of year	192,945	123,392
Net Book Value	₱2,665,515	₱2,485,978

In 2019, 2018 and 2017, related amortization recognized as part of “Cost of rental and related services” amounted to ₱69.55 million, ₱51.75 million and ₱49.60 million, respectively. Rent income amounting to ₱106.52 million and ₱142.42 million and ₱117.13 million in 2019, 2018 and 2017, respectively, was recognized as part of “Revenue from rental and related services”.

“Advances to contractors and suppliers” pertain to down payments made by the Group which are applied against future billings for development and construction contracts of investment properties and property and equipment.

“Deposits” include utility and security deposits.

“Advances to joint venture partners” are advances (e.g., property taxes and permits) which are normally applied against the share of the joint venture partners from sale of the joint venture properties reported under “Other receivables” in consolidated statements of financial position.

“Financial assets at FVOCI” consist of quoted and unquoted shares of stock (see Note 30).

Unquoted investments in shares of stock include unlisted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects.

Redemption of the Group’s unquoted shares of stock amounted to nil and ₱0.05 million in 2019 and 2018, respectively. The Group did not receive dividends from unquoted shares in 2019, 2018 and 2017.

“Other assets” includes the fee paid by the Parent Company to a third party for the assignment of the developmental rights for another BTO project in Cebu (see Note 31).

The Group reclassified certain accounts in 2018 to conform to the 2019 presentation. PAS 1 requires an entity to present a statement of financial position as at the beginning of the earliest period presented when it reclassifies items in its financial statements. Development usufructuary rights presented under “Others assets” were reclassified to investment properties. There is no impact on the total noncurrent assets.



17. Accounts Payable and Accrued Expenses

This account consists of:

	2019			2018		
	Current	Noncurrent	Total	Current	Noncurrent	Total
(In Thousands)						
Accounts payable (Note 20)	₱8,076,588	₱5,455,570	₱13,532,158	₱7,468,610	₱5,044,900	₱12,513,510
Deposits from tenants	1,645,442	2,563,162	4,208,604	1,749,368	2,244,068	3,993,436
Retention fees payable	1,512,275	912,358	2,424,633	1,705,694	1,029,048	2,734,742
Accrued expenses	881,043	—	881,043	735,111	—	735,111
Deposits for registration	157,179	1,132,224	1,289,403	129,211	930,759	1,059,970
Accrued interest on bonds and loans (Notes 18 and 19)	358,754	—	358,754	358,433	—	358,433
Other payables	533,583	—	533,583	300,394	—	300,394
	₱13,164,864	₱10,063,314	₱23,228,178	₱12,446,821	₱9,248,775	₱21,695,596

“Accounts payable” includes the outstanding balance of the costs of land acquired by the Group and is payable on scheduled due dates or upon completion of certain requirements (see Notes 10, 13 and 14). This account also includes amount payable to contractors and suppliers for the construction and development costs and operating expenses incurred by the Group.

“Deposits from tenants” are advance payments received for rentals, utilities and other fees. These are applied against rental obligations of tenants once due.

“Retention fees payable” pertains to the amount withheld from the progress billings of the contractors and is released generally one year from the completion of the construction agreement.

“Deposits for registration” pertain to amounts collected from buyers for payment of registration of real estate properties.

“Accrued expenses” pertain to various operating expenses incurred by the Group in the course of business such as salaries and wages, professional fees, unbilled construction cost related to ongoing projects, and utilities expense, among others.

Accrued expenses account consists of:

	2019	2018
(In Thousands)		
Suppliers and contractors	₱785,930	₱444,461
Professional fees	52,562	44,738
Payroll	20,065	13,502
Interest	12,897	12,731
Utilities	5,233	7,218
Rental	—	210,385
Other accruals	4,356	2,076
	₱881,043	₱735,111

“Other payables” pertain mainly to withholding taxes, output VAT payables and deferred income.



18. Loans Payable

This account consists of:

	2019	2018
	(In Thousands)	
Developmental loans from local banks	₱35,646,167	₱25,016,846
Less unamortized transaction costs	117,934	68,373
	35,528,233	24,948,473
Less current portion of loans payable	6,887,481	1,969,936
Long-term portion of loans payable	₱28,640,752	₱22,978,537

Developmental loans from local banks will mature on various dates up to 2025. These Peso-denominated loans bear floating interest rates equal to 91-day PDST-F rate, plus a spread of up to 1% per annum, or fixed interest rates of 3.80% to 6.51% per annum. Additional loans availed by the Group in 2019, 2018 and 2017 amounted to ₱15.4 billion, ₱5.50 billion and ₱3.23 billion, respectively. Principal payments made in 2019, 2018 and 2017 amounted to ₱4.84 billion, ₱3.84 billion and ₱4.37 billion, respectively.

Interest incurred on these loans (gross of related capitalized borrowing costs) amounted to ₱1.59 billion and ₱1.25 billion and ₱1.07 billion for the years ended December 31, 2019, 2018, and 2017, respectively.

Amortization of transaction costs amounted to ₱20.42 million, ₱18.75 million and ₱17.74 million in 2019, 2018 and 2017, respectively, and included under “Interest and other financing charges” (see Note 23).

The Group’s loans payable is unsecured and no assets are held as collateral for these debts. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio ranging from 2.0x to 3.1x and minimum interest coverage ratio of 1.0x.

The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock if it would materially and adversely affect the Group’s ability to perform its obligations; sale or transfer and disposal of all or a substantial part of its capital assets other than in the ordinary course of business; restrictions on use of funds other than the purpose it was approved for; and entering into any partnership, merger, consolidation or reorganization except in the ordinary course of business and except when the Group maintains controlling interest.

The Group’s loans payable are unsecured and no assets are held as collateral for these debts. As of December 31, 2019 and 2018, the Group complied with these contractual agreements and has not been cited in default on its outstanding loan obligations.



19. Bonds Payable

This account consists of:

	2019	2018
	(In Thousands)	
Current portion	₱4,294,644	₱6,993,574
Noncurrent portion	23,590,043	27,840,692
	₱27,884,687	₱34,834,266

- a. On June 8, 2012, the Parent Company issued fixed rate bonds with aggregate principal amount of ₱7.00 billion and term of seven (7) years from the issue date. The fixed interest rate is 6.27% per annum, payable quarterly in arrears starting on September 8, 2012. As of December 31, 2019, the related bonds payable are fully paid.

Unamortized debt issuance cost on bonds payable amounted to nil and ₱6.43 million as of December 31, 2019 and 2018, respectively. Accretion in 2019, 2018 and 2017 included as part of 'Interest and other finance charges' amounted to ₱6.43 million and ₱14.07 million and ₱13.18 million, respectively (see Note 23).

- b. On November 8, 2013, the Parent Company issued fixed rate bonds with aggregate principal amount of ₱7.00 billion comprised of ₱4.30 billion, 7-year bonds with interest of 4.86% per annum due in 2020 and ₱2.70 billion, 10-year bonds with interest of 5.43% per annum due in 2023. Interest for both bonds is payable quarterly in arrears starting on February 8, 2014.

Unamortized debt issuance cost on bonds payable amounted to ₱15.68 million and ₱25.26 million of December 31, 2019 and 2018, respectively. Accretion in 2019, 2018 and 2017 included as part of 'Interest and other finance charges' amounted to ₱9.58 million, ₱10.07 million and ₱10.58 million, respectively (see Note 23).

- c. On December 4, 2014, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱7.00 billion comprising of ₱5.30 billion, 7-year fixed rate bonds due in 2021 and ₱1.70 billion, 10-year fixed rate bonds due in 2024. The 7-year bonds carry a fixed rate of 5.40% per annum, while the 10-year bonds have a fixed interest rate of 5.64% per annum.

Unamortized debt issuance cost on bonds payable amounted to ₱22.10 million and ₱31.91 million as of December 31, 2019 and 2018, respectively. Accretion in 2019, 2018 and 2017 included as part of "Interest and other finance charges" amounted to ₱9.81 million, ₱10.36 million and ₱10.94 million, respectively (see Note 23).

- d. On August 20, 2015, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱8.00 billion comprising of ₱7.00 billion, 7-year fixed rate bonds due in 2022 and ₱1.00 billion, 10-year fixed rate bonds due in 2025. The 7-year bonds carry a fixed rate of 5.36% per annum, while the 10-year bonds have a fixed rate of 5.71% per annum.

Unamortized debt issuance cost on bonds payable amounted to ₱39.09 million and ₱51.07 million as of December 31, 2019 and 2018, respectively. Accretion in 2019, 2018 and 2017 included as part of "Interest and other finance charges" amounted to ₱11.98 million, ₱11.33 million and ₱10.71 million, respectively (see Note 23).



- e. On July 7, 2017, CPI issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱6.00 billion and term of five and a half (5.5) years due in 2023. The bonds carry a fixed rate of 5.05% per annum, payable quarterly in arrears starting on October 7, 2017.

Unamortized debt issuance cost on bonds payable amounted to ₱38.45 million and ₱51.06 million as of December 31, 2019 and 2018, respectively. Accretion in 2019 and 2018 included as part of “Interest and other finance charges” amounted to ₱12.61 million and ₱12.77 million, respectively (see Note 23).

Interest incurred on these bonds (gross of related capitalized borrowing costs) amounted to ₱1.67 billion, ₱1.93 billion and ₱1.76 billion for the years ended December 31, 2019, 2018 and 2017, respectively. Payments made on these bonds amounted to ₱7.00 billion in 2019, nil in 2018 and 2017.

The Group’s loans payable are unsecured and no assets are held as collateral for these debts. These bonds require the Group to maintain certain financial ratios which include maximum debt-to-equity ratio of 2.0x; minimum current ratio of 2.0x; and minimum debt service coverage ratio (DSCR) of 1.0x (except for CPI bonds which requires maximum debt-to-equity ratio of 2.33x and DSCR of 1.1x). As of December 31, 2019 and 2018, the Group is not in breach of any of these debt covenants.

20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control of the Group’s ultimate parent company (referred herein as “Affiliates”). Related parties may be individuals or corporate entities.

All material Related Party Transactions (“RPT”) with a transaction value that reaches ten percent (10%) of the Group’s total consolidated assets shall be subject to the review by the RPT Committee.

Transactions that were entered into with an unrelated party that subsequently becomes a related party shall be excluded from the limits and approval of the Policy on Related Party Transactions (“Policy”). However, any renewal, change in the terms and conditions or increase in exposure level, related to these transactions after a non-related party becomes a related party, shall subject it to the provisions of the the Policy.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the the Policy.

Outstanding balances at year-end are unsecured, interest free and require settlement in cash, unless otherwise stated. The transactions are made at terms and prices agreed upon by the parties. As of December 31, 2019 and 2018, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.



Significant related party transactions are as follows. Outstanding liabilities are unsecured and no impairment loss was recognized on any of the assets.

2019					
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
(In Thousands)					
Bank under common control of the ultimate parent					
Cash and cash equivalents	₱2,473,325	₱2,473,325	0.50% to 4.50%	No impairment	19 (a)
Interest income	49,834	–			
	2,523,159	2,473,325			
Accounts payable and accrued expenses (Note 16)					
Current portion	(₱378,968)	(₱378,968)	Noninterest-bearing, payable on installment	Unsecured	19 (a)
Noncurrent portion	–	(2,211,723)	Noninterest-bearing, payable on installment	Unsecured	19 (a)
	(₱378,968)	(₱2,590,691)			
Ultimate Parent	₱85	₱93	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(b)
Associate - FAI					
Dividends (Note 12)	404,000	404,000	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(d)
Other income	24	83,752			
Associate - Pro-excel					
Management and service fees	15,260	79,529	Due within 30 days	Unsecured	
	419,284	567,281			
Affiliates					
Share in common expenses	(₱11,627)	₱120,293	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(e)
Due from related parties	₱407,742	₱687,667			
Parent					
Share in Group expenses	8,047	(18,068)	Noninterest-bearing, payable on demand	Unsecured	(c)
Associate - FAI					
Rent	106,552	–	Noninterest-bearing, payable on demand	Unsecured	(d), (g)
Management fee	60,465	–	Noninterest-bearing, payable on demand	Unsecured	
Share in other expenses	–	(2,404)	Noninterest-bearing, payable on demand	Unsecured	
Associate - CTI					
Service fees	40,152	(42,373)	Due within 30 days	Unsecured	
	207,169	(44,777)			
Affiliates	26,726	(37,934)	Noninterest-bearing, payable on demand	Unsecured	(e)
Due to related parties	₱241,942	(₱100,779)			

2018					
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
(In Thousands)					
Bank under common control of the ultimate parent					
Cash and cash equivalents	₱3,328,545	₱3,328,545	0.50% to 4.50%	No impairment	(a)

(Forward)



	2018				
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
	(In Thousands)				
Interest income	₱48,860	₱-			
	₱3,377,405	₱3,328,545			
Accounts payable and accrued expenses (Note 16)					
Current portion	(₱378,965)	(₱378,965)	Noninterest-bearing, payable on installment	Unsecured	(a)
Noncurrent portion	(2,746,823)	(2,746,823)	Noninterest-bearing, payable on installment	Unsecured	(a)
	(₱3,125,788)	(₱3,125,788)			
Ultimate Parent	(₱437)	₱8	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(b)
Associate - FAI					
Dividends (Note 12)	678,000	384,000	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(d)
Share in common expenses	2,929	32,482			
	680,929	416,482			
Affiliates					
Share in common expenses	₱15,326	₱16,797	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(c)
Due from related parties	₱695,818	₱433,287			
Parent					
Share in Group expenses	(90,209)	(9,968)	Noninterest-bearing, payable on demand	Unsecured	(c)
Associate – FAI					
Rent	195,151	(23,237)	Noninterest-bearing, payable on demand	Unsecured	(d)
Management fee	3,340	-	Noninterest-bearing, payable on demand	Unsecured	
Share in other expenses	118,426	(96,220)	Noninterest-bearing, payable on demand	Unsecured	
	316,917	(119,457)			
Affiliates	3,601	(51,846)	Noninterest-bearing, payable on demand	Unsecured	(e)
Due to related parties	₱230,309	(₱181,271)			

a. *Transactions with bank under common control of the ultimate parent (EW)*

On January 3, 2012, the Group entered into a Receivable Purchase Agreement with East West Banking Corporation (EW), an entity under common control of the ultimate parent. The Group agreed to sell, assign, transfer and convey to EW all of its rights, titles and interest on certain contracts receivables. The contracts receivables sold to EW will be serviced by the Group under an Accounts Servicing Agreement.

Under this agreement, the Group shall be responsible for the monitoring and collection of contracts receivables sold to EW, including safekeeping of the collections in trust until these are remitted to EW, 10 days after the beginning of each month.

For the performance of the said services, the Group charges EW a service fee equivalent to a certain percentage of the amounts actually received and collected. Although the Group retains the contractual rights to receive cash flows from the contracts receivables sold to EW, the same will be subsequently distributed to EW under a “pass-through arrangement”.



In this transaction, the risk of default and non-payment of buyers of contracts receivable is assumed by EW and the Group has no liability to EW for such events. Due to this, the Group derecognized the contracts receivables sold and did not recognize any liability in its consolidated financial statements.

The Group's plan assets in the form of cash equivalents amounting to ₱70.86 million and ₱55.07 million as of December 31, 2019 and 2018, respectively, are maintained with EW (see Note 25). The Group also maintains cash and cash equivalents with EW.

On September 20, 2018, the Parent Company acquired a lot from a third party seller. Total consideration is payable on installment basis until 2022 (presented as "Accounts payable and accrued expenses"). On September 21, 2018, the third party seller entered into a Receivable Purchase Agreement with EW for the purchase of the remaining amounts receivable from the Parent Company amounting to ₱3.79 billion, on a without recourse basis. The amounts receivable from the Parent Company was sold to EW for a total consideration of ₱3.13 billion.

As of December 31, 2019, the amounts payable to EW related to the above purchase of land amounted to ₱2.59 billion and is presented as part of Accounts Payable under accounts payable and accrued expenses in the consolidated statement of financial position (see Note 17).

b. Transactions with Ultimate Parent (ALG)

Transactions with the Group's ultimate parent company relates to sharing of common expenses.

c. Transactions with Parent Company (FDC)

The Parent Company charged FDC certain common expenses paid by the Parent Company on its behalf.

In 2009, Promax was appointed by FDC as the marketing agent to act for and on behalf of FDC in promoting the marketing and sale of the Beaufort project. Accordingly, FDC pays Promax a marketing fee equivalent to a certain percentage of the net selling price (see Note 23).

d. Transactions with an Associate (FAI)

'Due from Associate' include noninterest-bearing cash advances and various charges for management fees, marketing fees, share of expenses and commission charges. The account also includes dividend receivable amounting to ₱404.00 million and ₱384.00 million as of December 31, 2019 and 2018, respectively, declared by FAI both years 2019 and 2018 (see Note 12).

e. Transactions with Affiliates

Transactions with affiliate relates to sharing of common expenses paid by the Parent Company on their behalf.

f. The compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱34.17 million, ₱32.83 million and ₱31.00 million in 2019, 2018 and 2017, respectively. Post-employment benefits of key management personnel amounted to ₱22.41 million, ₱21.00 million and ₱0.68 million in 2019, 2018 and 2017, respectively.



g. Leases with related parties

The company has several land lease transactions with related parties:

1. Mall lease with FAI

The Parent Company, as lessee, entered into a lease agreement with FAI on a portion of the land area occupied by the Festival Supermall and its Expansion. The lease term will expire on September 30, 2056.

2. FCMI lease with FMI

FCMI, a wholly owned subsidiary of the Parent Company, subleases the Mimosa Leisure Estate from FMI, an associate of the Parent Company. The original lessor is Clark Development Corporation. The lease term is fifty (50) years, renewable by another twenty-five (25) years upon mutual agreement by parties.

3. PDDC lease with FAI

PDDC, a 60% owned subsidiary of the Parent Company, leases Block 50 Lot 3-B-2, Northgate District from FAI. The lease term is twenty (20) years from the date on which the Chilled Water production plants starts supplying chilled water.

Effective January 1, 2019, the Group adopted PFRS 16 under the modified retrospective approach. Among others, the impact of the adoption for leases with related parties is the recognition of right of use assets amounting to ₱4,918.20 million and lease liability amounting to ₱5,120.03 million, as of January 1, 2019, and the recognition of depreciation expense of ₱127.41 million and interest expense of ₱441.29 million for the year ended December 31, 2019.

As of December 31, 2019, the amount included in lease liability payable to related parties is ₱5,293.50 million (see Note 15).

21. General and Administrative Expenses

The account consists of:

	2019	2018	2017
	(In Thousands)		
Salaries, wages and employee benefits	₱743,321	₱755,603	₱609,098
Depreciation and amortization (Notes 13, 14, 15 and 16)	453,930	259,229	198,677
Taxes and licenses	355,007	359,340	261,832
Outside services	169,798	195,170	142,772
Repairs and maintenance	147,475	150,709	119,548
Electronic data processing charges	89,696	72,166	58,914
Transportation and travel	89,279	112,283	86,485
Entertainment, amusement and recreation	84,060	87,011	70,497
Retirement costs (Note 25)	82,541	66,744	50,940
Rent (Note 20)	56,996	77,192	63,364
Communications, light and water	44,573	52,884	46,067
Insurance	39,680	19,834	55,804
Dues and subscriptions	20,494	20,287	21,856
Parking operations	17,180	27,825	15,718

(Forward)



	2019	2018	2017
Office supplies	₱14,170	₱19,989	₱17,017
Provision for (reversal of) expected credit losses - net	—	(21,400)	4,956
Others	66,523	67,194	55,590
	₱2,474,723	₱2,322,060	₱1,879,135

“Others” mainly consists of postage and freight charges, and other miscellaneous expenses.

22. Selling and Marketing Expenses

The account consists of:

	2019	2018	2017
		(In Thousands)	
Brokers’ commissions	₱808,437	₱722,030	₱338,358
Selling, advertising and promotions	336,579	475,672	367,211
Service fees	190,826	136,722	190,382
Sales office direct costs	92,791	89,733	72,683
Salaries and wages	6,057	7,441	6,322
Corporate advertisements	1,967	1,279	872
Others	11,916	9,710	5,865
	₱1,448,573	₱1,442,587	₱981,693

23. Interest and Other Finance Charges

The following table shows the component of interest income, interest expense and other financing charges recognized in the consolidated statements of income:

	2019	2018	2017
		(In Thousands)	
Interest income on:			
Contracts receivable (Note 8)	₱403,850	₱809,513	₱805,760
Cash and cash equivalents (Note 7)	18,955	64,438	43,317
Others (Note 25)	148,896	103,339	86,225
	₱571,701	₱977,290	₱935,302
Interest and other finance charges:			
Interest expense on loans and bonds payable, net of interest capitalized (Notes 18 and 19)	1,882,916	1,091,181	969,022
Interest expense on lease liabilities (Note 15)	488,732	—	—
Amortization of transaction costs of loans and bonds (Notes 18 and 19)	70,835	77,350	69,490
Other finance charges (Note 25)	50,482	23,910	24,193
	₱2,492,965	₱1,192,441	₱1,062,705



24. Other Income

The account consists of:

	2019	2018	2017
		(In Thousands)	
Forfeited reservations and collections	₱367,151	₱326,853	₱442,978
Service fees (Note 20)	104,577	133,823	179,945
Management, leasing and other fees (Notes 16 and 20)	83,556	105,777	84,428
Processing fees	67,271	62,634	12,704
Foreign currency exchange gain (loss) - net	2,554	465	(4,781)
Others (Note 20)	53,113	48,867	105,774
	₱678,222	₱678,419	₱821,048

25. Retirement Costs

The Group has a funded, noncontributory defined benefit retirement plan (the “Plan”) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The retirement plan provides retirement benefits equivalent to 70% to 125% of the final monthly salary for every year of service. The funds are administered by the Group’s Treasurer under the supervision of the Board of Trustees of the Plan and are responsible for investment strategy of the Plan.

The following tables summarize the components of retirement expense recognized in the consolidated statements of income and pension liability recognized in the consolidated statements of financial position for the existing retirement plan.

	2019		
	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liabilities
		(In Thousands)	
Balance as at January 1, 2019	₱653,475	₱55,072	₱598,403
Net benefit costs in profit or loss			
Current service cost (Note 21)	82,541	—	82,541
Net interest (Note 23)	25,046	1,982	23,064
	107,587	1,982	105,605
Benefits paid	(198)	(198)	—
Contribution	—	14,000	(14,000)
Remeasurements in other comprehensive income			
Actuarial changes arising from:			
Experience adjustments	(177,566)	—	(177,566)
	(177,764)	13,802	(191,566)
	₱583,298	₱70,856	₱512,442



	2018		
	Present value of defined benefit obligation	Fair value of plan asset (In Thousands)	Net defined benefit liabilities
Balance as at January 1, 2018	₱570,229	₱52,300	₱517,929
Net benefit costs in profit or loss			
Current service cost (Note 21)	66,744	–	66,744
Net interest (Note 23)	26,152	2,772	23,380
	92,896	2,772	90,124
Remeasurements in other comprehensive income			
Actuarial changes arising from:			
Experience adjustments	(9,650)	–	(9,650)
	(9,650)	–	(9,650)
	₱653,475	₱55,072	₱598,403

The Group's plan assets comprise of cash equivalents with original maturities of three months or less from dates of placements and are subject to insignificant risk of changes in value. As of December 31, 2019 and 2018, these placements are with EW (see Note 20). As of December 31, 2019 and 2018, the carrying amount of the plan assets approximates its fair value.

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The assumptions used in determining pension obligation for the defined benefit plan are as follows:

	2019	2018	2017
Discount rate	5.19% - 8.00%	7.50% - 8.00%	5.40% - 8.00%
Future salary increases	5.00% - 8.00%	5.00% - 8.00%	5.00% - 8.00%

The sensitivity analysis that follows has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant. Management believes that as of the reporting date, it is only the decline in discount rate that could significantly affect the pension obligation.

Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level throughout the remaining life of the obligation. The sensitivity analyses below have been determined based on reasonably possible changes of the significant assumption on the DBO as of the end of the financial reporting period, assuming all other assumptions were held constant.

	Increase (Decrease)		Impact on DBO Increase (Decrease)	
	2019	2018	2019	2018
Salary rate	1%	1%	30,039	39,531
	(1%)	(1%)	(43,743)	(34,251)



Shown below is the maturity analysis of the undiscounted benefit payments of the Group:

	2019	2018
	(In Thousands)	
Less than one year	₱18,179	₱56,911
More than one year and up to five years	118,131	100,255
More than five years and up to 10 years	225,315	203,011

The Group does not expect to contribute to its plan assets in the next 12 months.

The management performs an Asset-Liability Matching (ALM) Study. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans, as well as the liquidity of the plan assets. The Group's current investment strategy consists of 100% short-term deposit placements.

26. Equity

The details of the Parent Company's common and preferred shares as of December 31, 2019 and 2018 follow:

	Common Shares	Preferred Shares
	(In Thousands, except par value figures)	
Authorized shares	₱33,000,000	₱8,000,000
Par value per share	1	0.01
Issued and outstanding shares	24,470,708	8,000,000
Treasury shares	220,949	—

In 2019, 2018 and 2017, there was no issuance of additional common shares.

Preferred Shares

As stated in the Company's Amended Articles of Incorporation, the preferred shares may be issued from time to time in one or more series as the Board of Directors (BOD) may determine, and authority is expressly granted to the BOD to establish and designate each particular series of preferred shares, to fix the number of shares to be included in each of such series, and to determine the dividend rate and the issue price and other terms and conditions for each such shares. Dividends shall be cumulative from and after the date of issue of the preferred shares. Preferred shares of each and any sub-series shall not be entitled to any participation or share in the retained earnings remaining after dividend payments shall have been made on the preferred shares. To the extent not set forth in the Articles of Incorporation, the specific terms and restrictions of each series of preferred shares shall be specified in such resolutions as may be adopted by the BOD prior to the issuance of each of such series (the "Enabling Resolutions"), which resolutions shall thereupon be deemed a part of the Amended Articles of Incorporation.

In an Enabling Resolution approved and adopted by the BOD on October 6, 2006, it was clarified that the preferred shares are not convertible to common shares. In another Enabling Resolution approved and adopted by the BOD on January 5, 2007, the Board approved that preferred shares are entitled to cash dividend equal to one percent (1%) of the cash dividend declared and payable to common shares.



Thus, in a disclosure made by the Company to the relevant government agency and regulatory body on January 18, 2007, it was clarified that the features of the issued and subscribed preferred shares, in addition to the features indicated in the Company's Amended Articles of Incorporation so long as these features are not inconsistent with the Enabling Resolutions, are as follows: (i) voting, cumulative, and non-redeemable, (ii) par value is one centavo (PhP0.01), (iii) entitled to cash dividend equal to one percent (1%) of the cash dividend declared and payable to common shares, and (iv) not convertible to common shares.

Treasury Shares

On December 20, 2007, the Parent Company's BOD approved the buy-back of some of the issued shares of stock of the Parent Company over a period of twelve (12) months up to an aggregate amount of ₱1.50 billion, in view of the strong financial performance of the Parent Company and the very large discrepancy that existed between the current share price and the net asset value of the Parent Company.

The Parent Company had acquired 220.95 million shares at total cost of ₱221.04 million in 2008. There were no additional acquisitions in 2019, 2018 and 2017. The retained earnings is restricted from dividend distribution to the extent of the cost of treasury shares.

Dividend Declarations

On April 22, 2019 the BOD approved the declaration and payment of cash dividend of ₱0.0619 per share or total of ₱1.50 billion for all shareholders of record as of May 22, 2019. The Group has remaining unpaid cash dividend amounting to ₱18.65 million as of December 31, 2019.

On April 20, 2018 the BOD approved the declaration and payment of cash dividend of ₱0.0618 per share or total of ₱1.50 billion for all shareholders of record as of May 20, 2018.

On April 21, 2017 the BOD approved the declaration and payment of cash dividend of ₱0.0613 per share or total of ₱1.49 billion for all shareholders of record as of May 21, 2017.

Retained Earnings

Retained earnings include undistributed earnings amounting to ₱8.17 billion and ₱7.50 billion as of December 31, 2019 and 2018, respectively, representing accumulated equity in net earnings of subsidiaries and associates, which are not available for dividend declaration until declared as dividends by the subsidiaries and associates.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury and deferred tax asset recognized in profit or loss as of December 31, 2019 and 2018.

After reconciling items, the Parent Company's retained earnings available for dividend declaration as of December 31, 2019 and 2018 amounted to ₱31.10 billion and ₱28.31 billion, respectively.

The retained earnings is being utilized to cover part of the annual expenditure requirements of the Parent Company for its expansion projects in the real estate and leasing segments.



Capital Management

The Group monitors its capital and cash positions and manages its expenditures and disbursements. Furthermore, the Group may also, from time to time seek other sources of funding, which may include debt or equity issues depending on its financing needs and market conditions.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. No changes were made in capital management objectives, policies or processes for the years ended December 31, 2019 and 2018.

The Group monitors capital using debt-to-equity ratio, which is the long-term debt (loans payable and bonds payable) divided by total equity. The Group's policy is to keep the debt-to-equity ratio not to exceed 2:1. The following table shows how the Group computes for its debt-to-equity ratio:

	2019	2018
	(In Thousands)	
Loans payable (Note 18)	₱35,528,233	₱24,948,473
Bonds payable (Note 19)	27,884,687	34,834,266
Total long-term debt	63,412,920	59,782,739
Total equity	72,164,293	67,271,622
Debt-to-equity ratio	0.88 : 1:00	0.89 : 1:00

On August 12, 1993, SEC approved the registration of 2.0 billion common shares with issue price of ₱5.25 per share.

On December 15, 2006, SEC approved the registration of 3.7 billion common shares with issue price of ₱1.60 per share.

Below is the summary of the outstanding number of common shares and holders of security as of December 31, 2019:

Year	Number of Shares Registered (In Thousands)	Number of Holders of Securities as of Year End*
January 1, 2018	24,249,759	5,699
Add/(deduct) movement	—	(9)
December 31, 2018	24,249,759	5,690
Add/(deduct) movement	—	(20)
December 31, 2019	24,249,759	5,670

*Exclusive of 220,949 treasury shares.



27. Earnings Per Share

	2019	2018	2017
	(In Thousands, Except EPS Figures)		
a. Net income attributable to the equity holder of the parent	₱6,283,634	₱5,894,408	₱5,685,394
b. Weighted average number of outstanding common shares (after considering treasury shares)	24,249,759	24,249,759	24,249,759
Basic/Diluted EPS (a/b)	₱0.26	₱0.24	₱0.23

There were no potential dilutive shares in 2019, 2018 and 2017.

28. Income Tax

Provision for income tax consists of:

	2019	2018	2017
	(In Thousands)		
Current	₱1,273,754	₱1,029,494	₱705,038
Deferred	481,214	673,015	755,938
	₱1,754,968	₱1,702,509	₱1,460,976

The components of the Group's deferred income tax assets follow:

	2019	2018
	(In Thousands)	
Advance rentals	₱41,729	₱34,643
Accrued retirement benefits	2,318	1,168
NOLCO	8,388	50,168
	₱52,435	₱85,979

The components of the Group's net deferred income tax liabilities follow:

	2019	2018
	(In Thousands)	
Deferred income tax liabilities on:		
Capitalized borrowing costs	₱4,328,205	₱4,262,887
Right-of-use-assets	1,278,683	—
Excess of real estate revenue based on financial accounting policy over real estate revenue based on tax rules	2,412,356	1,892,334
Excess of fair value over cost of net assets acquired in business combination	—	118,063
	8,019,244	6,273,284

(Forward)



	2019	2018
	(In Thousands)	
Deferred income tax assets on:		
Lease liabilities	(P1,358,056)	P—
Advance rentals	(84,994)	(75,592)
Accrued retirement benefits - charged to profit or loss	(24,005)	(81,070)
Remeasurement losses on retirement plan	(10,408)	(63,677)
Allowance for expected credit losses	(15,864)	(11,265)
Others	(13,304)	(30,006)
	(1,506,631)	(261,610)
	P6,512,613	P6,011,674

Provision for deferred income tax charged directly to other comprehensive income in 2019, 2018 and 2017 relating to remeasurement gain on defined benefit obligation amounted to P53.27 million and P2.90 million and P1.56 million, respectively.

The Group did not recognize deferred income tax assets on NOLCO of certain subsidiaries amounting to P319.18 million and P140.52 million as of December 31, 2019 and 2018, respectively, since management believes that their carryforward benefits may not be realized before they expire.

The carryforward benefits of the NOLCO, which can be claimed by the Group as credits against the RCIT, are as follows (in thousands):

Year Incurred	Amount	Expiry Date
2019	P95,495	December 31, 2022
2018	153,790	December 31, 2021
2017	97,856	December 31, 2020
	P347,141	

The following are the movements in NOLCO:

	2019	2018
	(In Thousands)	
At January 1	P307,749	P170,801
Addition	95,495	153,790
Applied/expired	(56,103)	(16,842)
At December 31	P347,141	P307,749

The reconciliation of the provision for income tax at statutory tax rate to the actual provision for income tax follows:

	2019	2018	2017
	(In Thousands)		
Income tax at statutory tax rate	P2,482,430	P2,333,515	P2,188,547
Adjustments for:			
Income tax holiday incentive on sales of BOI-registered projects (Note 33)	(144,466)	(166,622)	(376,343)

(Forward)



	2019	2018	2017
	(In Thousands)		
Income covered by PEZA (Note 32)	(P446,960)	(P307,634)	(P234,918)
Equity in net earnings of associates	(120,458)	(161,105)	(105,064)
Deductible expense - Optional Standard Deduction	(37,864)	(25,078)	(45,507)
Tax-exempt net income on socialized housing units	(14,292)	(2,314)	(7,090)
Income subjected to final tax	(23,968)	(23,470)	(11,541)
Interest on HGC-enrolled contracts receivables	(2,524)	(3,572)	(1,466)
Change in unrecognized deferred tax	7,577	6,249	8,154
Nondeductible interest expense	5,137	4,582	2,354
Other nondeductible expenses	50,356	47,958	43,850
	P1,754,968	P1,702,509	P1,460,976

29. Fair Value Measurement

The following table sets forth the fair value hierarchy of the Group's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	2019				
	Carrying Value	Total	Fair Value		
			Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(In Thousands)					
Assets measured at fair value					
Financial assets at FVOCI (Note 16)					
Quoted	₱6,545	₱6,545	₱6,545	₱–	₱–
Unquoted	9,077	9,077	–	–	9,077
	15,622	15,622	6,545	–	9,077
Assets for which fair values are disclosed					
Non-financial assets					
Investment properties (Note 13)	61,321,185	204,411,354	–	204,411,354	–
Total assets	₱61,336,807	₱204,426,976	₱6,545	₱204,411,354	₱9,077
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost					
Accounts Payable and Accrued Expenses (Note 17)					
Accounts payable	₱13,532,158	₱12,953,559	₱–	₱–	₱12,953,559
Retention fee payable	2,424,633	2,320,965	–	–	2,320,965
Deposits for registration	1,289,403	1,234,272	–	–	1,234,272
	17,246,194	16,508,796	–	–	16,508,796
Lease liabilities (Note 15)	5,870,064	8,322,837	–	–	8,322,837
Loans payable (Note 18)	35,528,233	33,564,399	–	–	33,564,399
Bonds payable (Note 19)	27,884,687	25,463,323	–	–	25,463,323
	₱86,529,178	₱83,859,355	₱–	₱–	₱83,859,355



	2018				
	Carrying Value	Total	Fair Value		
			Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In Thousands)				
Assets measured at fair value					
Financial assets at FVOCI (Note 16)					
Quoted	P6,545	P6,545	P6,545	P—	P—
Unquoted	9,077	9,077	—	—	9,077
	15,622	15,622	6,545		9,077
Assets for which fair values are disclosed					
Non-financial assets					
Investment properties (Note 13)	50,018,371	71,547,540	—	—	71,547,540
Total assets	P50,033,993	P71,563,162	P6,545	P—	P71,556,617
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost					
Accounts Payable and Accrued Expenses (Note 17)					
Accounts payable	P12,513,510	P11,978,475	P—	P—	P11,978,475
Retention fee payable	2,734,742	2,617,815	—	—	2,617,815
Deposits for registration	1,059,970	1,014,649	—	—	1,014,649
	16,308,222	15,610,939	—	—	15,610,939
Loans payable (Note 18)	24,948,473	23,772,055	—	—	23,772,055
Bonds payable (Note 19)	34,834,266	31,990,690	—	—	31,990,690
	P76,090,961	P71,373,684	P—	P—	P71,373,684

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents, due from and to related parties, other receivables and other assets:* Due to the short-term nature of these accounts, their fair values approximate their carrying amounts.
- *Contract assets:* Estimated fair value of contract assets is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date. Interest rate used was 19% in 2019 and 2018.

Due to the short-term nature of receivables from government and financial institutions, carrying amounts approximate fair values.
- *Financial assets at FVOCI:* Fair values were determined using quoted market prices at reporting date. Fair value of unquoted equity securities are based on the latest selling price available.
- *Accounts payable and accrued expenses:* On accounts due within one year, the fair value of accounts payable and accrued expenses approximates the carrying amounts. On accounts due for more than a year, estimated fair value is based on the discounted value of future cash flows using the prevailing interest rates on loans and similar types of payables as of the reporting date. Interest rates used is 4.28% in 2019 and 2018.
- *Long-term debt (lease liabilities, loans payable and bonds payable):* Estimated fair value on debts with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date.



Long term debt subjected to quarterly repricing is not discounted since it approximates fair value. The discount rates used range from 3.80% to 6.50% and 5.00% to 7.70% as of December 31, 2019 and 2018, respectively.

During the years ended December 31, 2019, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents, contracts and other receivables, due from related parties, financial assets at FVOCI, accounts payable and accrued expenses, due to related parties and long-term debt (loans payable and bonds payable). The main purpose of these financial instruments is to raise financing for the Group's operations.

The main objectives of the Group's financial risk management are as follows:

- To identify and monitor such risks on an ongoing basis;
- To minimize and mitigate such risks; and,
- To provide a degree of certainty about costs.

The Group's finance and treasury functions operate as a centralized service for managing financial risks and activities, as well as providing optimum investment yield and cost-efficient funding for the Group. The Group's BOD reviews and approves the policies for managing each of these risks. The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. The Group's risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk.

Liquidity Risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. In order to cover its financing requirements, the Group uses both internally generated funds and available long-term and short-term credit facilities.

As of December 31, 2019 and 2018, the Group has undrawn short-term credit lines amounting ₱1.53 billion and ₱1.47 billion, respectively, and undrawn long-term credit facilities amounting ₱28.31 billion and ₱29.50 billion, respectively.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.



The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2019 and 2018 based on contractual undiscounted payments.

	2019						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
	(In Thousands)						
Financial Liabilities at Amortized Cost							
Accounts Payable and Accrued Expenses							
Accounts payable	₱5,107,625	₱1,918,874	₱1,050,089	₱2,714,349	₱2,741,221	₱–	₱13,532,158
Retention fees payable	682,928	682,537	146,810	12,563	573,484	326,311	2,424,633
Deposits for registration	–	381	156,798	574,121	226,135	331,968	1,289,403
Accrued expenses	881,043	–	–	–	–	–	881,043
Accrued interest on bonds and loans	358,754	–	–	–	–	–	358,754
	7,030,350	2,601,792	1,353,697	3,301,033	3,540,840	658,279	18,485,991
Due to Related Parties	100,779	–	–	–	–	–	100,779
Loans Payable	–	1,646,244	5,241,237	9,697,303	16,809,031	2,134,418	35,528,233
Bonds Payable	–	535,158	3,759,486	14,376,367	9,213,676	–	27,884,687
Lease Liabilities	–	–	318,119	670,729	728,783	4,152,433	5,870,064
	₱7,131,129	₱4,783,194	₱10,672,539	₱28,045,432	₱30,292,330	₱6,945,130	₱87,869,754

	2018						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
	(In Thousands)						
Financial Liabilities at Amortized Cost							
Accounts Payable and Accrued Expenses							
Accounts payable	₱4,723,138	₱1,774,430	₱971,042	₱2,510,026	₱2,534,874	₱–	₱12,513,510
Retention fees payable	770,274	769,833	165,587	14,170	646,832	368,046	2,734,742
Deposits for registration	–	313	128,898	471,964	185,897	272,898	1,059,970
Accrued expenses	735,111	–	–	–	–	–	735,111
Accrued interest on bonds and loans	358,433	–	–	–	–	–	358,433
	6,586,956	2,544,576	1,265,527	2,996,160	3,367,603	640,944	17,401,766
Due to Related Parties	181,271	–	–	–	–	–	181,271
Loans Payable	–	–	1,969,936	13,424,641	8,621,294	932,602	24,948,473
Bonds Payable	–	–	6,993,574	9,566,111	15,592,381	2,682,200	34,834,266
	₱6,768,227	₱2,544,576	₱10,229,037	₱25,986,912	₱27,581,278	₱4,255,746	₱77,365,776

The tables below summarize the maturity profile of the Group's financial assets and contract assets held to manage liquidity as of December 31, 2019 and 2018:

	2019						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
	(In Thousands)						
Financial Assets at Amortized Cost							
Cash and cash equivalents							
Cash on hand and in banks	₱2,321,835	₱–	₱–	₱–	₱–	₱–	₱2,321,835
Short-term deposits		2,451,786	–	–	–	–	2,451,786
Contracts receivable							
Contracts receivable	1,253,612	–	–	–	–	–	1,253,612
Receivables from government and financial institutions	192,580	–	–	–	–	–	192,580
Other receivables							
Receivable from tenants-net	1,742,836	–	–	–	–	–	1,742,836
Due from related parties	687,667	–	–	–	–	–	687,667
Receivable from homeowners' associations-net	155,226	–	–	–	–	–	155,226
Receivable from buyers	139,875	–	–	–	–	–	139,875
Others	38,893	–	–	–	–	–	38,893
Short-term deposits	–	–	47,685	–	–	–	47,685
	6,532,524	2,451,786	47,685	–	–	–	9,031,995
Financial Assets at FVOCI							
Investments in shares of stocks:							
Quoted	–	6,545	–	–	–	–	6,545
Unquoted	–	9,077	–	–	–	–	9,077
	–	15,622	–	–	–	–	15,622
Total financial assets	6,532,524	2,467,408	47,685	–	–	–	9,047,617
Contract assets	–	1,330,175	4,668,246	3,702,194	1,440,424	1,974,703	13,115,742
	₱6,532,524	₱3,797,583	₱4,715,931	₱3,702,194	₱1,440,424	₱1,974,703	₱22,163,359



	2019						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
	(In Thousands)						
	2018						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
	(In Thousands)						
Financial Assets at Amortized Cost							
Cash and cash equivalents							
Cash on hand and in banks	₱3,466,317	₱—	₱—	₱—	₱—	₱—	₱3,466,317
Short-term deposits	—	2,953,243	—	—	—	—	2,953,243
Contracts receivable							
Contracts receivable	623,413	—	—	—	—	—	623,413
Receivables from government and financial institutions	177,437	—	—	—	—	—	177,437
Other receivables							
Receivable from tenants-net	1,338,738	—	—	—	—	—	1,338,738
Due from related parties	433,287	—	—	—	—	—	433,287
Receivable from homeowners' associations-net	142,029	—	—	—	—	—	142,029
Receivable from buyers	60,919	—	—	—	—	—	60,919
Others	13,416	—	—	—	—	—	13,416
Short-term deposits	—	—	18,794	—	—	—	18,794
	6,255,556	2,953,243	18,794	—	—	—	9,227,593
Financial Assets at FVOCI							
Investments in shares of stocks:							
Quoted	—	6,544	—	—	—	—	6,544
Unquoted	—	9,078	—	—	—	—	9,078
	—	15,622	—	—	—	—	15,622
Total financial assets	6,255,556	2,968,865	18,794	—	—	—	9,243,215
Contract assets	—	1,124,770	2,674,061	2,691,294	1,289,307	2,262,673	10,042,105
	₱6,255,556	₱4,093,635	₱2,692,855	₱2,691,294	₱1,289,307	₱2,262,673	₱19,285,320

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily for its contract receivables and other receivables.

It is the Group's policy that buyers who wish to avail the in-house financing scheme be subjected to credit verification procedures. Receivable balances are being monitored on a regular basis and subjected to appropriate actions to manage credit risk. Moreover, as discussed in Note 8, the Group has a mortgage insurance contract with Home Guaranty Corporation for a retail guaranty line.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based groupings of various customer segments with similar loss patterns (i.e., by market segment and collateral type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.



Set out below is the information about the credit risk exposure on the Group's contract receivables and contract assets using a provision matrix:

	2019					
	Total	Socialized	Low Affordable	Affordable	Middle Income	High-end
Expected credit loss rate	0.0%	0.0%	0.0%	(In Thousands) 0.0%	0.0%	0.0%
Estimated total gross carrying amount at default	₱10,842,955	₱232,838	₱1,544,481	₱1,888,517	₱5,738,541	₱1,438,578

	2018					
	Total	Socialized	Low Affordable	Affordable	Middle Income	High-end
Expected credit loss rate	0.0%	0.0%	0.0%	(In Thousands) 0.0%	0.0%	0.0%
Estimated total gross carrying amount at default	₱10,842,955	₱232,838	₱1,544,481	₱1,888,517	₱5,738,541	₱1,438,578

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and financial assets at FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Based on the Group's experience, the said assets are highly collectible or collectible on demand. The Group holds as collaterals the corresponding properties which the third parties had bought on credit. In few cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market price.

The following tables show the credit quality by class of asset as of December 31, 2019 and 2018. The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant.

Receivables assessed to be of standard grade are those which had passed a certain set of credit criteria, and of which the Group has not noted any extraordinary exposure which calls for a substandard grade classification.

As at December 31, 2019 and 2018, the analysis of contracts receivable that were past due but not impaired is as follows:

	Past due but not impaired					Total
	Less than 30 days	30 to 60 days	61 days to 90 days	91 days to 120 days	Over 120 days	
	(In Thousands)					
2019	₱—	₱218,222	₱474,478	₱560,912	₱—	₱1,253,612
2018	—	—	196,822	137,857	—	334,679

There is no concentration risk on the Group's financial assets as of December 31, 2019 and 2018.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's financial instruments affected by market risk include loans payable and cash and cash equivalents.



The Group's exposure to market risk for changes in interest rates relates primarily to the Group's loans from various financial institutions. To manage interest rate risk, the Group renegotiates the interest rates for certain long term debts to convert them from fixed-rate debt to floating-rate debt as the Group believes that the current interest rate environment makes it more favorable to carry floating-rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no other impact on the Group's other comprehensive income other than those already affecting the profit and loss.

	Increase (decrease) in basis points	Effect on income before income tax (In Thousands)
2019	+200	₱49,734
	-200	(₱49,734)
2018	+200	₱7,517
	-200	(₱7,517)

The sensitivity analysis shown above is based on the assumption that interest rate movement will most likely be limited to a two hundred basis point upward or downward fluctuation. The Group, used as basis of these assumptions, the annual percentage change of three-month PDST-F rate for the past five years as obtained from Philippine Dealing and Exchange Corp. (PDEX). Effect on the Group's income before tax is computed on the carrying amount of the Group's floating rate loans payable as of December 31, 2019 and 2018.

The following tables set out the carrying amount, by maturity, of the Group's loans payable that are exposed to interest rate risk (amounts in thousands):

Variable interest rate	91-day Treasury bill plus 1% to 2% margin					Total
	Below 1 Year	1-2 Years	> 2 Years but < 3 Years	3 Years to 4 Years	Over 4 Years	
As of December 31, 2019	₱-	₱-	₱-	₱1,986,764	₱500,000	₱2,486,764
As of December 31, 2018	57,895	317,966	-	-	-	375,861

Changes in liabilities arising from financing activities for the years ended December 31 follows:

	2019			December 31, 2019
	January 1, 2019	Cash flows	Noncash movement	
	(In Thousands)			
Loans payable	₱24,948,473	₱10,559,337	₱20,423	₱35,528,233
Bonds payable	34,834,266	(7,000,000)	50,412	27,884,678
Accrued interest	358,433	(3,260,571)	3,260,892	358,754
Due to related parties	181,271	(80,492)	-	100,779
	₱60,322,443	₱218,274	₱3,331,727	₱63,872,444



	2018			
	January 1, 2018	Cash flows	Noncash movement	December 31, 2018
	(In Thousands)			
Loans payable	₱23,308,536	₱1,658,662	(₱18,725)	₱24,948,473
Bonds payable	34,775,665	—	58,601	34,834,266
Accrued interest	293,868	(3,132,467)	3,197,032	358,433
Due to related parties	199,315	(18,044)	—	181,271
	₱58,577,384	(₱1,491,849)	₱3,236,908	₱60,322,443

‘Noncash movement’ column includes amortization of debt issuance costs and interest expense for loans payable and bonds payable, dividend declaration and share in the net income of noncontrolling interest.

31. Contingencies and Commitments

Contingencies

The Group is involved in various legal actions, claims, assessments and other contingencies incidental to its ordinary course of business. Management believes that any amount the Group may have to pay in connection with any of these matters would not have a material adverse effect on the consolidated financial position or operating results. The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as they may prejudice the outcome of the ongoing proceedings.

Build, Transfer and Operate (BTO) Agreement with Cebu Province

In connection with the BTO Agreement with the Cebu Province, the Group is committed to develop and construct a BPO Complex on the properties owned by Cebu Province located at Salinas, Lahug, Cebu City and transfer the ownership of the BPO Complex to the Cebu Province upon completion in exchange for the right to operate and manage the BPO Complex for the entire term of the agreement and its renewal (see Note 16).

Assignment of Development Rights under a Build, Transfer and Operate Agreement

On June 26, 2015, the Parent Company and a third party entered into an agreement whereby the latter agreed to assign its project development rights and benefits under its BTO Agreement with Cebu Province to the Parent Company. In consideration of this assignment, the Parent Company paid upfront fee amounting ₱50.0 million and ₱150.0 million in 2016 and 2015, respectively. As of December 31, 2019, project construction has not started and this upfront fee is recorded as part of ‘Other noncurrent assets’ in the consolidated statement of financial position (see Note 16).

Development Agreement with Bases Conversion Development Authority (BCDA)

In 2015, the Parent Company won the contract to develop a 288-hectare area in Clark Green City in Tarlac and paid 10% of the bid premium as bid security amounted to ₱16.0 million. On January 8, 2016, the Joint Venture Agreement with BCDA was signed and pursuant to the terms of the development of the project, the Parent Company paid the ₱160.0 million bid premium representing the right to own 55% of the equity on the joint venture company to be formed with BCDA.

On February 11, 2016, the Parent Company incorporated FCGC Corporation, the entity that will handle the development of the Clark Green City Project (see Note 1). The bid premium is presented as part of investment properties in the consolidated financial statements (see Note 13).



On March 16, 2016, FCGC and BCDA incorporated Filinvest BCDA Clark Inc. (FBCI) with an initial authorized capital stock of One Million Pesos (₱1,000,000) divided into One Million (1,000,000) common shares with par value of One Peso per share.

On March 29, 2017 and May 17, 2017, FBCI's Board of Directors (BOD) and stockholders, respectively, approved the Company's application for the increase in the authorized capital stock. On September 28, 2018, the SEC approved the increase in the authorized capital stock of FBCI from ₱1,000,000 divided into 1,000,000 shares at ₱1.00 par value per share to ₱1,000,000,000 divided into 1,000,000,000 shares at ₱1.00 par value per share. FCGC subscribed 282,880,000 shares at par value amounting to ₱282,880,000, out of which ₱267,330,000 shares at is still unpaid. On the other hand, BCDA subscribed 231,000,000 shares amounting ₱231,000,000 and paid its subscription thru the assignment of a 50-year Development and Usufructuary Rights (DUR) over the parcel of land where the CGC project will be developed. The value of the DUR approved by the SEC amounted to ₱231,000,000, which is equal to BCDA's subscription on the increase in authorized capital stock. FCGC and BCDA subscribed pro rata on the increase in authorized capital stock based on their existing ownership interest. The DUR was recorded in FBCI's books as of December 31, 2019 and 2018 under investment properties.

32. Registration with PEZA

On February 13, 2002, the Parent Company, FAC and CPI were registered with Philippine Economic Zone Authority (PEZA) pursuant to the provisions of RA No. 7916 as the Ecozone Developer/Operator to lease, sell, assign, mortgage, transfer or otherwise encumber the area designated as a Special Economic Zone (Ecozone). The same shall be known as Filinvest Technology Park-Calamba.

Under the registration, the Parent Company shall enjoy 5% preferential tax privilege on income generated from the Ecozone in lieu of the regular income tax rate.

On June 11, 2001, FAC was registered with PEZA as the developer/operator of PBCom Tower not entitled to any incentives. However, IT enterprises which shall locate in PBCom Tower shall be entitled to tax incentives pursuant to RA No. 7916.

On June 6, 2000, CPI was registered with PEZA as an ECOZONE Facilities Enterprise. As a registered enterprise, it is also entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

On December 15, 2015, PDDC was registered with PEZA as an ECOZONE Facilities Enterprise. As a registered enterprise, PDDC is entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

On July 3, 2019, FBCI was registered with PEZA as an ECOZONE developer/operator enterprise of New Clark City Phase I. As a registered enterprise, FBCI is entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

The Group is also entitled to zero percent (0%) value-added tax for sales made to ECOZONE enterprises.



33. Registration with the Board of Investments (BOI)

The Group has registered the following New Developer of Low-Cost Mass Housing Projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226) as of December 31, 2019:

Name	Reg. No.	Date Registered
Studio A	2016-008	01/08/2016
Bali Oasis 2 Banjar	2016-031	02/05/2016
Meridian Place 1	2016-030	02/05/2016
Anila Park Townhomes	2016-052	03/07/2016
Futura Homes San Pedro	2016-053	03/07/2016
One Spatial Iloilo 2	2016-243	12/01/2016
One Spatial Richmond	2016-244	12/01/2016
Futura Homes Mactan	2016-270	12/27/2016
One Spatial Victoria	2017-030	01/27/2017
Studio 7	2017-031	01/27/2017
8 Spatial Davao Bldg 1 & 2	2017-047	02/28/2017
8 Spatial Davao Bldg 3	2017-130	05/23/2017
8 Spatial Davao Bldg 4	2017-131	05/23/2017
Marina Spatial Bldg 1	2017-129	05/23/2017
One Oasis CDO 2	2017-184	06/20/2017
Ventura Real Ph 01	2017-298	11/08/2017
Meridian Place 2	2017-354	12/22/2017
Savanna Fields 1	2017-355	12/22/2017
Savanna Fields 4A	2017-357	12/27/2017
Valle Dulce Ph 2	2017-356	12/27/2017
New Fields	2018-016	01/22/2018
Futura Homes Palm Estates Ph 1	2018-156	07/20/2018
Futura Homes Zamboanga Ph1A	2018-200	09/24/2018
New Leaf	2019-054	03/20/2019
Sandia Homes 2	2019-136	07/25/2019
8 Spatial Davao Bldg 5	2019-182	09/26/2019
Marina Spatial Bldg 2	2019-259	12/02/2019

As a registered enterprise, the Group is entitled to certain tax and nontax incentives, subject to certain conditions.

34. Notes to Statements of Cash Flows

The Group's noncash activities are as follows:

- Land and land developments previously presented under inventories were reclassified to investment property amounting to ₱1.97 billion (see Note 10).
- Addition to investment in associate due to loss of control amounting to ₱17.49 million and reclassification from other noncurrent assets amounting to ₱51.30 million (see Note 12).



- c) Restatement in the beginning balance of investment in FMI due to the impact of PFRS 16 amounting to ₱48.35 million (see Notes 2 and 12).
- d) Reclassification from property and equipment to investment property amounting to ₱781.62 million (see Notes 13 and 14).
- e) Recognition of right-of-use asset and lease liabilities amounting to ₱5.39 billion and ₱5.68 billion, respectively, due to the adoption of PFRS 16 (see Note 2).
- f) Other assets pertaining to prepaid expenses of ₱61.88 million, accounts payable and accrued expenses of ₱346.76 million and deferred tax assets of ₱39.89 million related to previous operating leases arising from straight lining under PAS 17 were derecognized (see Note 2).
- g) Decrease in investment property amounting to ₱31.52 million due to the adoption of PFRS 16 (see Note 2).
- h) Purchases of inventories, investment properties and property and equipment which remain unpaid amounted to ₱2,894.46 million, ₱727.62 million and ₱5.88 million, respectively (see Notes 10, 13 and 14).
- i) The Group has remaining unpaid cash dividend amounting to ₱18.65 million out of the ₱1.50 billion declared in 2018 (see Note 26).
- j) Total accretion of interest in 2019 for loans and bonds payable amounted to ₱20.42 million and ₱50.41 million, respectively (see Notes 18 and 19).
- k) The Group has dividend receivable from an associate amounting to ₱404.00 million (see Note 12).

35. Events after the Reporting Date

There were no significant events after the reporting date that will require disclosure in the financial statements.

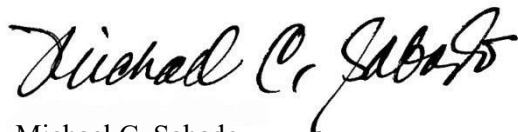


INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Filinvest Land, Inc.
79 EDSA, Brgy. Highway Hills
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Filinvest Land, Inc. and its subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated February 26, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-4 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125294, January 7, 2020, Makati City

February 26, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Filinvest Land, Inc.
79 EDSA, Brgy. Highway Hills
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Filinvest Land, Inc. and its subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 26, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-4 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125294, January 7, 2020, Makati City

February 26, 2020



FILINVEST LAND, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

Schedule	Contents
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (other than related parties)
C	Amounts Receivables (Payables) from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Asset - Other Assets
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G	Guarantees of Securities of Other Issuers
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I	Schedule of Bond Issuances - Securities Offered to the Public
J	Retained Earnings Available for Dividend Distribution
K	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsidiaries

SCHEDULE A**FILINVEST LAND, INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS****DECEMBER 31, 2019**

Below is the detailed schedule of the Group's financial assets in equity securities as of December 31, 2019:

Name of Issuing entity and association of each issue	Number of Shares	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at end of year	Income Received and Accrued
(In Thousands Except Number of Shares)				
Financial assets at FVOCI				
Quoted:				
Philippine Long Distance Telephone Company	26,100	₱348	₱348	₱—
Manila Electric Company (MERALCO)	1,153,694	6,197	6,197	—
		6,545	6,545	—
Unquoted:				
The Palms Country Club, Inc.	1,000	₱3,060	₱3,060	₱—
Cebu Country Club	1	6,017	6,017	—
		9,077	9,077	—
		₱15,622	₱15,622	₱—

The Group's investment in MERALCO is an unlisted preferred shares acquired in connection with the infrastructure that it provides for the Group's real estate development projects. These are carried at cost less impairment, if any.

SCHEDULE B

FILINVEST LAND, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES) DECEMBER 31, 2019

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of December 31, 2019:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
		(In Thousands)		
Santiago, Rochiel Macalalad	₱221	₱–	(₱69)	₱152

Related Party Transactions

Due from related parties

Below is the list of outstanding receivables from related parties of the Group presented in the consolidated statements of financial position as of December 31, 2019 (amounts in thousands):

	Relationship	Nature	Balance as of December 31, 2019
Filinvest Alabang, Inc	Associate	A, C, D	₱340,119
FOR A Services, Inc.	Affiliate	A	90,363
Pro-excel Property Management, Inc.	Associate	A	79,529
Filinvest Mimosa, Inc.	Associate	A, C	68,103
Nature Specialists, Inc.	Associate	A	76,028
East West Banking Corporation	Affiliate	A	21,183
Davao Sugar Central Corp.	Affiliate	A	5,853
Chroma Hospitality, Inc.	Affiliate	A	5,692
GCK Realty	Affiliate	C, D	235
FDC Utilities, Inc.	Affiliate	A	155
Mimosa Cityscapes, Inc.	Affiliate	A	153
FDC – Misamis Power Corp.	Affiliate	A	105
ALG Holdings, Corp.	Ultimate Parent	A	93
Propel Realty Corp	Affiliate	A	29
Filinvest Corporate City	Affiliate	A	11
Boracay Seascapes Resort, Inc.	Affiliate	A	9
Duawon Seascapes Resort Inc.	Affiliate	A	3
Dumaguete Cityscapes, Inc.	Affiliate	A	3
FDC Forex Corp.	Affiliate	A	1
			₱687,667

Nature of intercompany transactions

The nature of the intercompany transactions with the related parties is described below:

- Expenses – these pertain to the share of the related parties in various common selling and marketing and general and administrative expenses.
- Management and marketing fee
- Reimbursable commission expense
- Dividends

SCHEDULE C

FILINVEST LAND, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE (PAYABLES) FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS DECEMBER 31, 2019

Below is the schedule of receivables (payables) with related parties which are eliminated in the consolidated financial statements as of December 31, 2019. All are noninterest-bearing and to be settled within the year (amounts in thousands):

		Volume of Transactions	Receivable (Payable)
Filinvest Cyberzone Mimosa, Inc.	Share in expenses	₱1,372,268	₱2,692,636
Filinvest Lifemalls Tagaytay, Inc.	Share in expenses	(945,995)	1,279,490
Homepro Realty Marketing, Inc.	Share in expenses	(49,649)	791,341
Cyberzone Properties, Inc.	Share in expenses	386,023	412,813
Property Maximizer Professional Corporation	Share in expenses	10,630	129,764
	Marketing fee expenses	5,464	—
Dreambuilders Pro, Inc.	Share in expenses	59,694	106,842
Filinvest Clark Green City Corporation	Share in expenses	(5,511)	18,509
Proleads Philippines, Inc.	Share in expenses	7,569	18,097
	Rental Income	293,109	—
Timberland Sports and Nature Club	Share in expenses	8,759	16,501
Realpros Philippines, Inc.	Share in expenses	5,246	10,422
Gintong Parisukat Realty & Devt Inc.	Share in expenses	5,029	7,221
Leisurepro, Inc.	Share in expenses	53	6,423
Filinvest BCDA Clark, Inc.	Share in expenses	158	3,164
Philippined DCS Development Corporation	Share in expenses	1,600	2,023
Filinvest Lifemalls Mimosa, Inc.	Share in expenses	—	210
Property Leaders International, Ltd.	Share in expenses	—	111
Property Specialist Resources, Inc.	Share in expenses	23	23
Filinvest Lifemalls Corporation	Share in expenses	(723)	2
Filinvest Asia Corporation	Share in expenses	(23,997)	(13)
Festival Supermall, Inc. (Management)	Share in expenses	6,731	(10,501)
FSM Cinemas, Inc.	Share in expenses	(12,703)	(12,694)
Filinvest All Philippines, Inc.	Share in expenses	(175,665)	(83,618)
Filinvest Cyberparks, Inc.	Share in expenses	(434,472)	(970,536)
		₱513,641	₱4,418,230

The table below shows the movement of the receivables (payables) from related parties:

Name	Balance at beginning of year	Additions	Collections	Balance as of December 31, 2019
Filinvest Cyberzone Mimosa, Inc.	₱1,320,368	₱1,377,424	(₱5,156)	₱2,692,636
Filinvest Lifemalls Tagaytay, Inc.	2,225,485	2,795	(948,790)	1,279,490
Homepro Realty Marketing, Inc.	840,990	(49,649)	—	791,341
Cyberzone Properties, Inc.	26,790	429,688	(43,665)	412,813
Property Maximizer Professional Corporation	124,598	5,166	—	129,764
Dreambuilders Pro, Inc.	47,148	60,828	(1,134)	106,842
Filinvest Clark Green City Corporation	24,020	(5,510)	(1)	18,509
Proleads Philippines, Inc.	10,528	7,570	—	18,097
Timberland Sports and Nature Club	7,742	8,759	—	16,501

(Forward)

Name	Balance at beginning of year	Additions	Collections	Balance as of December 31, 2019
Realpros Philippines, Inc.	₱5,176	₱5,246	₱—	₱10,422
Gintong Parisukat Realty & Devt Inc..	2,192	5,029	—	7,221
Leisurepro, Inc.	6,370	53	—	6,423
Filinvest BCDA Clark, Inc.	3,006	158	—	3,164
Philippine DCS Development Corporation	423	3,145	(1,545)	2,023
Filinvest Lifemalls Mimosa, Inc.	210	—	—	210
Property Leaders International, Ltd.	111	—	—	111
Property Specialist Resources, Inc.	—	777	(754)	23
Filinvest Lifemalls Corporation	725	(723)	—	2
Filinvest Asia Corporation	23,984	(23,997)	—	(13)
Festival Supermall, Inc. (Management)	(17,232)	6,731	—	(10,501)
FSM Cinemas, Inc.	9	(12,692)	(12)	(12,694)
Filinvest AII Philippines, Inc.	92,047	(175,665)	—	(83,618)
Filinvest Cyberparks, Inc.	(536,064)	(430,919)	(3,553)	(970,536)
	₱4,208,626	₱1,214,214	(₱1,004,610)	₱4,418,230

The intercompany transactions between FLI and the subsidiaries pertain to share in common expenses, rental charges, marketing fee and management fee. There were no amounts written off during the year and all amounts are expected to be settled within the year.

SCHEDULE D

FILINVEST LAND, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS DECEMBER 31, 2019

As of December 31, 2019, the Group's intangible assets consist of Goodwill. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of two major assets consisting of (amounts in thousands):

Festival Supermall structure	₱3,745,945
FAC	494,744
CPI	326,553
	<u>₱4,567,242</u>

SCHEDULE E

FILINVEST LAND, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT DECEMBER 31, 2019

Below is the schedule of long-term debt of the Group:

Type of Obligation	Amount	Current	Noncurrent
	(In Thousands)		
<u>Developmental loans</u>			
Unsecured loan obtained in January 2015 with interest rate equal to 4.95% per annum (fixed rate for 3 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortizations to commence in January 2017 and 50% is payable at maturity in January 2020.	₱150,000	₱150,000	₱—
Unsecured loan obtained in June 2016 with interest rate equal 3.91% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal installments starting September 2018 and the remaining 50% balance is payable in June 2021.	375,000	83,333	291,667
Unsecured loan obtained in May 2015 with interest rate equal to 4.47% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortizations to commence in August 2017 and 50% is payable at maturity in May 2020.	175,000	175,000	—
Unsecured loan obtained in August 2013 with interest rate equal to 4.24% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% balance of principal is payable in 20 equal quarterly installments starting November 2015 and the remaining 50% balance is payable in August 2020.	287,500	287,500	—
Unsecured loan obtained in December 2013 with interest rate equal to 4.58% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in December 2015 and 50% is payable at maturity in December 2020.	402,500	402,500	—
Unsecured loan obtained in July 2016 with interest rate equal to 3.81% per annum (fixed for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortization to commence in October 2018 and 50% is payable at maturity in July 2021.	277,083	58,333	218,750
Unsecured loan obtained in July 2014 with interest rate equal to 4.88% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in October 2016 and 50% is payable at maturity in July 2021.	472,500	70,000	402,500
Unsecured loan obtained in June 2019 with interest rate equal to 91-day Bloomberg Valuation Service Rate (BVAL Rate) plus margins, payable quarterly in arrears. The 50% principal is payable in 12 equal quarterly amortizations to commence on September 2021 and 50% payable at maturity on June 2024.	500,000	—	500,000
Unsecured loan obtained in November 2016 with interest rate equal to 4.75% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 16 equal quarterly amortizations to commence in February 2020 and 50% is payable at maturity in November 2023.	400,000	50,000	350,000
Unsecured loan obtained in April 2015 with interest rate equal to 4.32% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting July 2017 to January 2020.	78,788	78,788	—

(Forward)

Type of Obligation	Amount	Current (In Thousands)	Noncurrent
Unsecured loan obtained in December 2019 with interest rate equal to 5.06% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting March 2022 and the remaining 50% balance is payable in December 2024.	₱300,000	₱—	₱300,000
Unsecured loan obtained in October 2019 with interest rate equal to 5.18% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting January 2022 and the remaining 50% balance is payable in October 2024.	500,000	—	500,000
Unsecured loan obtained in September 2019 with interest rate equal to 5.21% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting December 2021 and the remaining 50% balance is payable in September 2024.	300,000	300,000	—
Unsecured loan obtained in May 2015 with interest rate equal to 4.50% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal payable in 12 equal quarterly amortizations to commence in May 2017 and 50% is payable at maturity in May 2020.	51,458	51,458	—
Unsecured loan obtained in July 2014 with interest rate equal to 4.88% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in October 2016 and 50% is payable at maturity in July 2021.	405,000	60,000	345,000
Unsecured loan obtained in February 2016 with interest rate equal to 5.10% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in May 2018 and 50% is payable at maturity in February 2021.	141,450	33,333	108,117
Unsecured loan obtained in March 2017 with interest rate equal to 5.00% per annum (fixed rate for 5 years). The 50% principal is payable in 12 equal amortization to commence in June 2019 and 50% is payable at maturity in March 2022.	436,375	83,333	353,042
Unsecured loan obtained in May 2016 with interest rate equal to 4.35% per annum (fixed rate for 5 years). The 50% of principal is payable in 12 equal amortization to commence in August 2018 and 50% is payable at maturity in May 2021.	299,467	66,667	232,800
Unsecured loan obtained in May 2015 with interest rate equal to 4.52% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal payable in 12 equal quarterly amortizations to commence in August 2017 and 50% is payable at maturity in May 2020.	291,667	291,667	—
Unsecured loan obtained in August 2015 with interest rate equal to 5.11% per annum (fixed rate for 5 years). The 50% of principal is payable in 12 equal quarterly amortizations to commence in November 2017 and 50% is payable at maturity in August 2020.	31,250	31,250	—
Unsecured loan obtained in September 2015 with interest rate equal to 4.67% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in September 2020.	600,000	600,000	—
Unsecured loan obtained in December 2016 with interest rate equal to 5.45% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% principal is payable in 16 equal amortizations to commence in March 2020 and 50% is payable at maturity in December 2023.	199,476	25,000	174,476

(Forward)

Type of Obligation	Amount	Current (In Thousands)	Noncurrent
Unsecured loan obtained in September 2015 with interest rate equal to 4.50% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in December 2017 and 50% is payable at maturity in September 2020.	₱312,500	₱312,500	₱—
Unsecured loan obtained in December 2017 with interest rate equal to 5.46% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in March 2020 and 50% is payable at maturity in December 2022.	398,800	66,667	332,133
Unsecured loan obtained in June 2018 with interest rate equal to 6.37% per annum (fixed rate for 5 years). 6% of the principal balance is payable on 12 equal quarterly amortization to commence on September 2020 and 94% is payable maturity on June 2023.	497,438	5,000	492,438
Unsecured loan obtained in October 2016 with interest rate equal to 4.25% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in October 2021.	998,102	—	998,102
Unsecured loan obtained in June 2019 with interpolated rate of 5.05%, payable quarterly in arrears. The principal is payable at maturity on June 2024.	1,986,433	—	1,986,433
Unsecured loan obtained in October 2016 with interest rate equal to 4.47% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in January 2019 and 50% is payable at maturity in October 2023.	629,687	70,000	559,687
Unsecured loan obtained in September 2016 with interest rate equal to 3.87% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortizations to commence in December 2018 and 50% is payable at maturity in September 2021.	632,221	133,333	498,888
Unsecured loan obtained in October 2016 with interest rate equal to 4.21% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in January 2019 and 50% is payable at maturity in October 2023.	1,169,282	130,000	1,039,282
Unsecured loan obtained in July 2018 with interest rate equal to 6.51% per annum (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in October 2020 and 50% is payable at maturity in July 2023.	1,493,013	62,500	1,430,513
Unsecured loan obtained in June 2016 with interest rate equal to 3.90% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in June 2021.	998,432	—	998,432
Unsecured loan obtained in June 2019 with interpolated rate of 4.99% (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in September 2021 and 50% is payable at maturity in June 2024.	1,986,784	—	1,986,784
Unsecured loan obtained in December 2016 with interest rate equal to 4.94% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in December 2021.	149,683	—	149,683
Unsecured loan obtained in May 2016 with interest rate equal to 4.29% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in May 2021.	998,526	—	998,526
Unsecured loan obtained in June 2019 with interpolated rate of 4.84% (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in August 2021 and 50% is payable at maturity in June 2024.	2,980,163	—	2,980,163

(Forward)

Type of Obligation	Amount	Current (In Thousands)	Noncurrent
Unsecured loan obtained in December 2016 with interest rate equal to 4.94% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in December 2021.	₱498,929	₱—	₱498,929
Unsecured loan obtained in October 2013 with interest rate equal to 91-day PDS Treasury Reference Rate (PDST-R2) plus margins, plus GRT, payable quarterly in arrears. The 50% of principal is payable in 19 equal quarterly amortizations to commence in January 2016 and 50% is payable at maturity on October 2020.	318,241	318,241	—
Unsecured loan obtained in June 2017 with interest rate equal to 5.76% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 15 equal quarterly amortizations to commence in September 2020 and 50% is payable at maturity in June 2024.	498,463	33,333	465,130
Unsecured loan obtained in June 2019 with interpolated rate of 5.21% (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in September 2021 and 50% is payable at maturity in June 2024.	1,986,764	—	1,986,764
Unsecured loan obtained in February 2015 with interest rate equal to 4.70% per annum (fixed rate for 5 years), payable quarterly in arrears. The 20% of principal is payable in 4 equal annual amortizations to commence in February 2016, and 80% is payable at maturity in January 2020.	374,831	374,831	—
Unsecured loan obtained in November 2016 with interest rate equal to 5.20% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 16 equal quarterly amortizations to commence in February 2020 and 50% is payable at maturity in November 2023.	499,780	62,500	437,280
Unsecured loan obtained in June 2017 with interest rate equal to 5.07% per annum (fixed rate for 5 years), payable quarterly in arrears. The 3% principal is payable in three (3) annual amortizations to commence in June 2019 and 97% is payable at maturity in June 2022.	987,406	10,000	977,406
Unsecured loan obtained in June 2018 with interest rate equal to 6.20% per annum (fixed rate for 5 years). The principal is payable at maturity in June 2023.	1,491,858	—	1,491,858
Unsecured loan obtained in August 2019 with interest rate equal to 91 day BVAL Rate payable quarterly in arrears. The principal is payable upon maturity on August 2020.	496,546	—	496,546
Unsecured loan obtained in October 2019 with interest rate equal to 4.98% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in October 2024.	496,374	—	496,374
Unsecured loan obtained in September 2019 with interest rate equal to 5.30% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable upon maturity on September 2024.	992,855	—	992,855
Unsecured loan obtained in September 2019 with interest rate equal to 5.11% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable upon maturity on September 2024.	992,885	—	992,885
Unsecured loan obtained in February 2015 with interest rate equal to 4.95% per annum (fixed rate for first 3 years), payable quarterly in arrears. The principal is payable at maturity in January 2020.	999,905	999,905	—
Unsecured loan obtained in April 2015 with interest rate equal to 4.12% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortizations to commence in July 2017 and 50% is payable at maturity in April 2020.	291,566	291,566	—

(Forward)

Type of Obligation	Amount	Current (In Thousands)	Noncurrent
Unsecured loan obtained in August 2013 with interest rate equal to 4.24% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly installments starting November 2015 and the remaining 50% is payable in August 2020.	₱574,685	₱574,685	₱—
Unsecured loan obtained in February 2015 with interest rate equal to 4.70% per annum (fixed rate for 5 years), payable quarterly in arrears. The 20% of principal is payable in 4 equal annual amortizations to commence in February 2016, and 80% is payable at maturity in January 2020.	425,000	425,000	—
Unsecured loan obtained in March 2016 with interest rate equal to 5.74% per annum (fixed rate for 7 years). The 50% of principal balance is payable in 20 equal quarterly amortizations to commence in June 2018 and 50% is payable at maturity in March 2023.	164,547	19,857	144,690
Unsecured loan obtained in September 2016 with interest rate equal to 3.80% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in December 2018 and 50% is payable at maturity in September 2021.	59,250	12,425	46,825
Unsecured loan obtained in February 2017 with interest rate equal to 4.65% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in May 2019 and 50% is payable at maturity in February 2022.	87,292	16,567	70,725
Unsecured loan obtained in July 2017 with interest rate equal to 4.78% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in October 2019 and 50% is payable at maturity in July 2022.	167,271	28,992	138,279
Unsecured loan obtained in March 2017 with interest rate equal to 4.86% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in June 2019 and 50% is payable at maturity in March 2022.	218,207	41,417	176,790
Unsecured loan obtained in November 2019 with interest rate equal to 5.01% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in November 2024.	1,000,000	—	1,000,000
	₱35,528,233	₱6,887,481	₱28,640,752
Bonds			
Fixed rate bonds with aggregate principal amount of P8.00 billion issued by the Group on August 20, 2015. This comprised of P7.00 billion, 7-year fixed rate bonds due in August 2022 with a fixed interest rate of 5.36% per annum, and P1.00 billion, 10-year fixed rate bonds due in August 2025 with a fixed interest rate of 5.71% per annum.	7,960,912	—	7,960,912
Fixed rate bonds with principal amount of P7.00 billion and term of 7 years was issued by the Group on June 8, 2012 to mature in June 2019. The interest rate is fixed at 6.27% per annum.	—	—	—
Fixed rate bonds with aggregate principal amount of P7.0 billion issued by the Group on November 8, 2013. This comprised of P4.30 billion 7-year fixed rate bonds due in November 2020 with a fixed interest rate of 4.86% per annum, and P2.70 billion 10-year fixed rate bonds due in November 2023 with a fixed interest rate of 5.43% per annum.	6,984,319	4,294,644	2,689,675
Fixed rate bonds with aggregate principal amount of P7.0 billion issued by the Group on December 4, 2014. This comprised of P5.30 billion, 7-year fixed rate bonds due in December 2021 with a fixed interest rate of 5.40% per annum, and P1.70 billion, 10-year fixed rate bonds due in December 2024 with a fixed interest rate of 5.64% per annum.	6,977,903	—	6,977,903

(Forward)

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Fixed rate bonds with principal amount of P6.00 billion and term of 5.5 years from the issue date was issued by the Group on July 7, 2017 to mature in January 2023 with fixed interest rate is 5.05% per annum.	₱5,961,553	₱—	₱5,961,553
	₱27,884,687	₱4,294,644	₱23,590,043
	₱63,412,920	₱11,182,125	₱52,230,795

Each loan balance is presented net of unamortized deferred costs. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio ranging from 2.0x to 3.1x and minimum interest coverage ratio of 1.0x.

Each bond balance is presented net of unamortized deferred costs. The agreements covering the abovementioned bonds require maintaining certain financial ratios including maximum debt-to-equity ratio of 2.0x; minimum current ratio of 2.0x; and minimum debt service coverage ratio (DSCR) of 1.0x (except for CPI bonds which requires maximum debt-to-equity ratio of 2.33x and DSCR of 1.1x).

The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; and entering into any partnership, merger, consolidation or reorganization.

The Group has complied with these contractual agreements. There was neither default nor breach noted for the year ended December 31, 2019.

SCHEDULE F

FILINVEST LAND, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES DECEMBER 31, 2019

Below is the list of outstanding payables to related parties of the Group presented in the consolidated statements of financial position as of December 31, 2019:

	Relationship	Nature	Balance at beginning of period	Balance at end of period
			(In Thousands)	
Corporate Technologies, Inc.	Affiliate	A	₱2,221	₱42,373
Quest Restaurants Inc.	Affiliate	A	6,243	21,773
Filinvest Development Corp.	Parent Company	A, C	10,267	18,068
Pacific Sugar Holdings, Corp.	Affiliate	A	27,007	14,032
Entrata Hotel Services, Inc.	Affiliate	A	2,405	2,404
Mactan Seascapes Services, Inc.	Affiliate	A	541	873
Countrywide Water Services, Inc.	Affiliate	A	6,803	455
The Palms Country Club	Affiliate	A	2,263	392
Filinvest Hospitality Corporation	Affiliate	A	—	295
AG Foundation, Inc.	Affiliate	A	—	56
Crimson Hotel	Affiliate	A	47	47
ParkingPro, Inc.	Affiliate	A	—	10
Proplus, Inc.	Affiliate	A	—	1
Filinvest Alabang, Inc.	Associate	A, C	119,457	—
Chroma Hospitality, Inc.	Affiliate	A	3,822	—
East West Banking Corporation	Affiliate	A	189	—
Seascapes Resort, Inc.	Affiliate	A	5	—
Boracay Seascapes, Inc.	Affiliate	A	1	—
			₱181,271	₱100,779

Nature of intercompany transactions

The nature of the intercompany transactions with the related parties is described below:

- a. Expenses - these pertain to the share of the Group in various common selling and marketing and general and administrative expenses.
- b. Management and marketing fee
- c. Dividends

SCHEDULE G

FILINVEST LAND, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS DECEMBER 31, 2019

The Group does not have guarantees of securities of other issuers as of December 31, 2019.

SCHEDULE H

FILINVEST LAND, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

DECEMBER 31, 2019

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
(In Thousands)						
Common Shares	33,000,000	24,470,708	—	14,409,927	49,262	None
Preferred Shares	8,000,000	8,000,000	—	8,000,000	—	None

SCHEDULE I

FILINVEST LAND, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF BOND ISSUANCES - SECURITIES OFFERED TO THE PUBLIC

DECEMBER 31, 2019

	2009 P5 Billion Bond	2011 P3 Billion Bond	2012 P7 Billion Bond	2013 P7 Billion Bond	2014 P7 Billion Bond	2015 P8 Billion Bond	2017 P6 Billion Bond
Expected gross and net proceeds as disclosed in the prospectus							
Gross Proceeds	P5,000,000,000	P3,000,000,000	P7,000,000,000	P7,000,000,000	P7,000,000,000	P8,000,000,000	P6,000,000,000
Less: Expenses	63,850,625	34,290,625	97,225,625	67,594,379	82,327,087	85,330,750	68,308,996
Net Proceeds	P4,936,149,375	P2,965,709,375	P6,902,774,375	P6,932,405,621	P6,917,672,913	P7,914,669,250	P5,931,691,004
Actual gross and net proceeds							
Gross Proceeds	P5,000,000,000	P3,000,000,000	P7,000,000,000	P7,000,000,000	P7,000,000,000	P8,000,000,000	P6,000,000,000
Less: Expenses	65,936,000	21,165,000	84,023,040	82,906,997	77,906,937	86,811,468	96,582,653
Net Proceeds	P4,934,064,000	P2,978,835,000	P6,915,976,960	P6,917,093,003	P6,922,093,063	P7,913,188,532	P5,903,417,347
Expenditure items where the proceeds were used							
Land Acquisition	P2,960,438,400	P417,036,900	P249,938,096	P2,965,648,318	P—	P88,961,000	P—
Project Development	1,973,625,600	2,561,798,100	6,666,038,864	1,185,554,209	2,422,093,063	2,888,760,022	—
Investment Property	—	—	—	2,765,890,476	—	4,935,467,510	5,903,417,347
Debt refinancing	—	—	—	—	4,500,000,000	—	—
Net Proceeds	P4,934,064,000	P2,978,835,000	P6,915,976,960	P6,917,093,003	P6,922,093,063	P7,913,188,532	P5,903,417,347
Balance of the proceeds as of December 31, 2017							
Net Proceeds	P4,934,064,000	P2,978,835,000	P6,915,976,960	P6,917,093,003	P6,922,093,063	P7,913,188,532	P5,903,417,347
Capital Expenses	4,934,064,000	2,978,835,000	6,915,976,960	6,917,093,003	2,422,093,063	7,913,188,532	5,903,417,347
Debt refinancing	—	—	—	—	4,500,000,000	—	—
Net Proceeds	P—	P—	P—	P—	P—	P—	P—

SCHEDULE J**FILINVEST LAND, INC.****SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS****AVAILABLE FOR DIVIDEND DECLARATION****DECEMBER 31, 2019**

(Amounts in Thousands of Pesos)

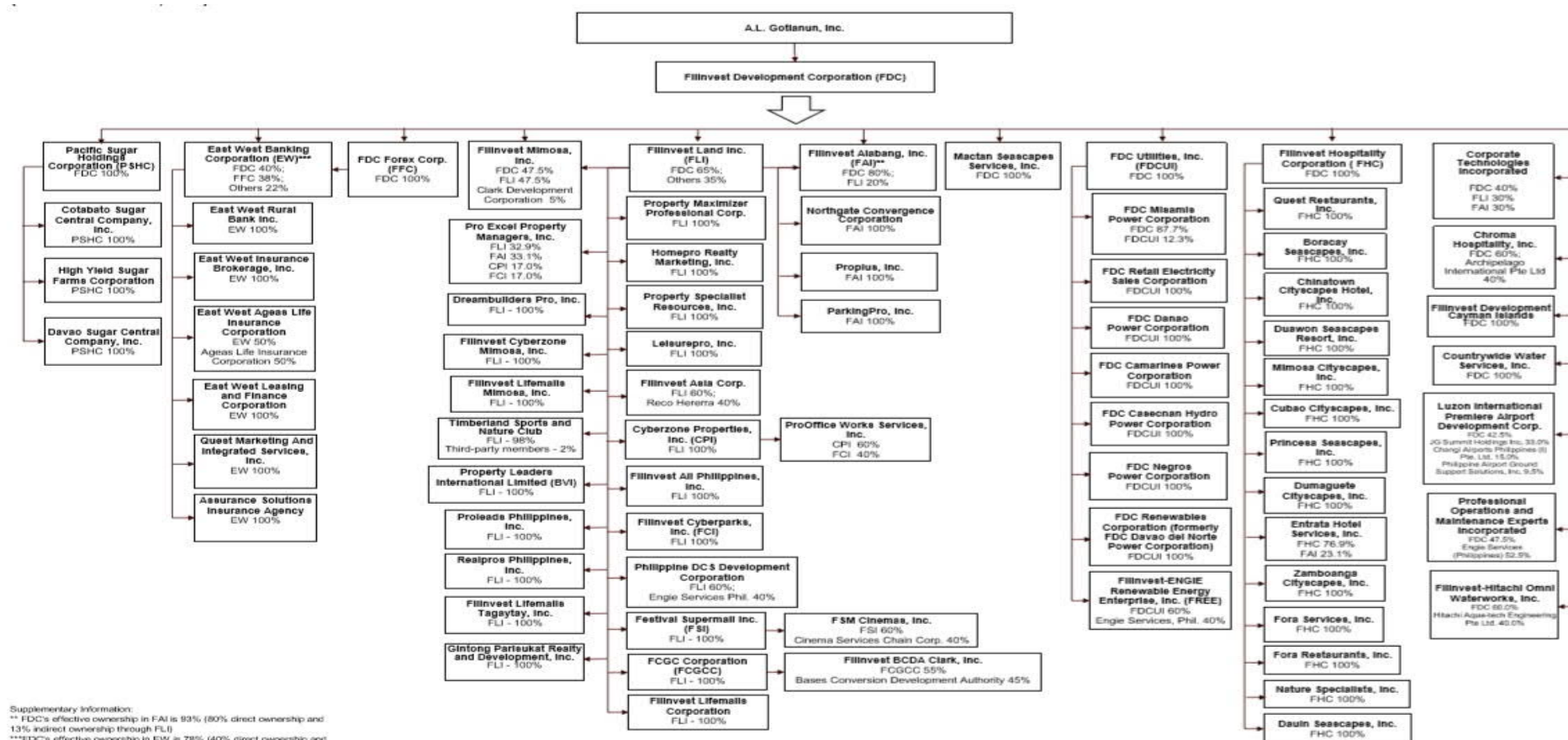
Retained Earnings, January 1, 2019		₱36,882,343
Adjustments:		
Equity in net earnings of subsidiaries and an associate		(8,167,906)
Impact of adoption of new accounting standards		11,502
Prior-year adjustments		(420,528)
Unappropriated Retained Earnings, as adjusted, January 1, 2019		28,305,411
Net income based on the face of audited financial statements	6,283,634	
Less: Non-actual/unrealized income net of tax		
Equity in net income of subsidiaries and an associate	(1,887,130)	
Unrealized foreign exchange gain - net		
Unrealized actuarial gain		
Fair value adjustment (marked-to-market gains)		
Fair value adjustment of Investment Property resulting to gain		
Adjustment due to deviation from PFRS/GAAP gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS		
Add: Non-actual/unrealized losses net of tax		
Depreciation on revaluation increment		
Adjustment due to deviation from PFRS/GAAP loss		
Loss on fair value adjustment of Investment Property		
Movement in deferred tax assets	(98,358)	
Net income actual/realized		4,298,146
Less: Dividend declarations during the year		(1,501,060)
Unappropriated Retained Earnings, as adjusted, December 31, 2019		₱31,102,497

SCHEDULE K

FILINVEST LAND, INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

DECEMBER 31, 2019



FILINVEST LAND, INC. AND SUBSIDIARIES
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019

(Amounts in Thousands of Pesos)

Ratio	Formula	2019	2018
Current Ratio ⁽¹⁾	Total Current Assets divided by Total Current Liabilities <div> Total Current Assets ₱82,800,199 Divide by: Total Current Liabilities 25,881,381 <hr/> Current Ratio 3.20 </div>	3.20	3.57
Long-term Debt-to-Equity ratio	Long-term Debt divided by Equity <div> Long-term Debt ₱52,230,795 Divide by: Equity 72,164,293 <hr/> Long-term Debt-to-Equity Ratio 0.72 </div>	0.72	0.89
Debt Ratio	Total Liabilities divided by Total Assets <div> Total Liabilities ₱101,532,138 Divide by: Total Assets 173,696,431 <hr/> Debt Ratio 0.58 </div>	0.58	0.58
EBITDA to Total Interest Paid	Earnings before Interests and Other Charges, Income Tax, Depreciation and Amortization - EBITDA (<i>net income plus interest and other charges, income tax, depreciation and amortization</i>) divided by Total Interest Paid <div> EBITDA ₱12,088,331 Divide by: Total Interest Paid 3,260,571 <hr/> EBITDA to Total Interest Paid 3.71 </div>	3.71	3.12
Price Earnings Ratio	Closing price divided by Earnings per share <div> Closing price ⁽²⁾ ₱1.50 Divide by: Earnings per share 0.26 <hr/> Price Earnings Ratio 5.77 </div>	5.77	5.88
Quick Asset Ratio	Quick Assets (<i>total current assets less inventories</i>) divided by Current Liabilities <div> Total Current Assets ₱82,800,199 Less: Inventories 63,018,436 <hr/> Quick Assets ₱19,781,763 Divide by: Total Current Liabilities 25,881,381 <hr/> Quick Asset Ratio 0.76 </div>	0.76	0.72
<i>(Forward)</i>			

Ratio	Formula	2019	2018
Solvency Ratio	Net Income before Depreciation (<i>net income plus depreciation</i>) divided by Total Liabilities	0.07	0.08
	Net Income ₱6,519,800		
	Add: Depreciation 453,930		
	Net Income before Depreciation 6,973,730		
	Divide by: Total Liabilities 101,532,138		
Solvency Ratio 0.07			
Interest Coverage Ratio	Earnings before Interest and Other Charges and Income Tax (EBIT) divided by Interest Expense	4.32	7.72
	EBIT ₱10,767,733		
	Divide by: Interest Expense 2,492,965		
	Interest Coverage Ratio 4.32		
Net Profit Margin	Net Income divided by Revenue	0.25	0.27
	Net Income ₱6,519,800		
	Divide by: Revenue 25,673,310		
	Net Profit Margin 0.25		
Return on Equity	Net Income divided by Total Equity	0.09	0.09
	Net Income ₱6,519,800		
	Divide by: Total Equity 72,164,293		
	Return on Equity 0.09		

⁽¹⁾ In computing for the Group's current ratio, current assets include cash and cash equivalents, contracts receivables, other receivables, real estate inventories and other current assets and current liabilities include accounts payable and accrued expenses, due to related parties, income tax payable and current portion of loans payable. Determination of current accounts is based on their maturity profile of relevant assets and liabilities.

⁽²⁾ Closing price at December 31, 2019 and December 31, 2018 is 1.50 and 1.41, respectively.