C O V E R   S H E E T

SEC Registration Number

77823

COMPANY NAME

CITYLAND DEVELOPMENT CORPORATION

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
20-IS (Preliminary Info Statement)	MSRD	Not Applicable

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
652 (as of June 30, 2020)	1st Tuesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
RUDY GO	cdc_rg@cityland.net	8-893-6060	N/A

CONTACT PERSON'S ADDRESS

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

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

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

CITYLAND

CITYLAND DEVELOPMENT CORPORATION

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting (ASM) of **CITYLAND DEVELOPMENT CORPORATION (the Company)** will be held virtually or via remote communication on **August 18, 2020, Tuesday, at 4:00 pm.**

The following shall be the agenda of the meeting:

A G E N D A

1. Call to Order
2. Proof of Notice of Meeting
3. Determination of Quorum and Rules of Conduct and Procedures
4. Approval of Minutes of Previous Annual Stockholders' Meeting
5. President's Report
6. Election of Directors (including Independent Directors)
7. Appointment of External Auditor
8. Declaration of five percent (5%) stock dividends
9. Confirmation of all acts of the Board of Directors for the period covering January 1, 2019 to December 31, 2019 adopted in the ordinary course of business, including but not limited to:
   a. Approval of investments;
   b. Treasury matters related to opening of accounts and bank transactions;
   c. Appointment of signatories and amendments thereof; and
   d. Approval of Annual Report and related Financial Statements
10. Other matters which may be raised by the body
11. Adjournment

For the purpose of the meeting, only stockholders of record as of July 20, 2020 are entitled to attend and vote in the said meeting.

In light of the COVID-19 pandemic, stockholders who intend to attend and participate in the virtual meeting through proxy shall first submit via email to info@professionalstocktransfer.com the scanned copy of the letter of intent to attend and participate via proxy by remote communication. Once validated, a registered stockholder will receive via email the proxy form.

Validation of proxies shall be until 4:00 pm of August 11, 2020. Registered stockholders will receive the meeting link and password two days before the ASM.

Only stockholders who have notified the Company of their intention to participate in the virtual meeting and have registered themselves or their proxies, will be included in the determination of a quorum.

We are not soliciting your proxy.

The requirements and procedures for voting and participation in the meeting through remote communication will be discussed further in the Information Statement which shall be made available to the public not later than July 28, 2020 through PSE Edge and the Company's website.

For ASM related queries, kindly send an email to cdcinfo@cityland.net or contact the Office of the Corporate Secretary at 8893-6060 local 224/236.

For account updating concerns, please contact the Company's Stock Transfer Agent, Professional Stock Transfer, Inc. (Attention: Ms. Jenny Serafica), through 8687-2733 or via email info@professionalstocktransfer.com.

We encourage all registered stockholders to log onto the meeting link 45 minutes before the meeting starts, to avoid any technical difficulty. The meeting will start promptly at 4:00 in the afternoon.

The meeting shall be recorded in audio and video format and copies shall be kept by the Company.

Copies of the minutes of the Annual Stockholders' Meeting held last June 6, 2019 will be available upon request.

Makati City, July 6, 2020

FOR THE BOARD OF DIRECTORS

ATTY. EMMA G. JULARBAL
Corporate Secretary

EXPLANATION OF AGENDA ITEMS REQUIRING STOCKHOLDERS' APPROVAL

In accordance with *Article VII – Stockholders' Meeting* of the Company's Amended By-Laws, the annual meeting of the stockholders shall be held every 1st Tuesday of June of each calendar year at four o'clock in the afternoon, when the Board of Directors shall be elected by plurality of votes by ballot system or viva voce. However, to safeguard the health and safety of the stockholders due to COVID-19 and to enable the Company to prepare all reports and matters to be submitted for the approval of the stockholders, the 2020 Annual Stockholders' Meeting (hereinafter referred to as "ASM") shall be moved to August 18, 2020.

Item 1: Call to Order

The Chairman of the Board of Directors will formally call the meeting to order.

Item 2: Proof of Notice of Meeting

Rationale: To inform the stockholders that the notices of meeting were sent to all stockholders in accordance with the Corporation Code of the Philippines and Company's Amended By-laws.

The Corporate Secretary (or Secretary) will certify the date when notices for the 2020 ASM were sent out to the stockholders of record, including the date of publication and the newspapers where the notice was published.

Item 3: Determination of Quorum and Voting Procedures

Rationale: To determine the presence of a quorum for the 2020 Annual Stockholders' Meeting and to inform the stockholders of the voting procedures for the agenda items to be discussed in the ASM.

The Secretary will inform the body and attest to the existence of a quorum in the meeting. As stated in the Company's Amended By-Laws, the stockholders' meeting shall be competent to decide any matter or transact any business, provided a majority of the subscribed capital stock is present or represented thereat, except in those cases wherein the Corporation Laws require the affirmative vote of a greater proportion. The number of shares represented in the meeting is validated by a third-party stock transfer agent.

Voting Procedures

Each common share shall be entitled to one vote with respect to all matters to be taken up during the annual stockholders' meeting. In accordance with the Company's Amended By-Laws, voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita.

At least a majority of the outstanding capital stock of the Company is required for the election of directors and approval of the following matters:

a. Minutes of the previous Annual Stockholders' Meeting
b. Appointment of external auditor
c. Acts of the management and of the Board of Directors relative to Annual Report and related financial statements.

The Company's Stock Transfer Agent together with the Office of the Corporate Secretary will tabulate all valid and confirmed votes. The Company also has an independent party that will validate the votes counted by the Secretary.

The voting procedures are discussed further in the Information Statement

Item 4: Approval of Minutes of Previous Annual Stockholders' Meeting (ASM)

Rationale: To obtain from the stockholders the approval of the minutes of the ASM held last June 6, 2019.

The Chairman will request the Secretary to read the minutes of the said meeting. The minutes of ASM held last June 6, 2019 are posted in the Company's website (http://cityland.net/). The minutes of the previous ASM are hereby presented to the stockholders for approval.

Item 5: President's Report

Rationale: To inform the stockholders of the Company's financial position and performance.

The Secretary will read the President's Report on the Company's financial position and performance as of and for the year ended, December 31, 2019 including any future projects of the Company. The detailed discussion of the financial position and results of operations are presented in the Preliminary Information Statement. The audited financial statements are duly submitted to the Securities and Exchange Commission, Philippine Stock Exchange and the Bureau of Internal Revenue.

Representatives of Sycip Gorres Velayo & Co., the Company's external auditor for the Year 2019, are invited in the ASM to respond to queries concerning the audited financial statements.

Item 6: Election of Directors (including Independent Directors)

Rationale: To give the stockholders the opportunity to elect the Company's Board of Directors in accordance with Section 24 of the Corporation Code and the Company's Amended By-Laws.

In accordance with the Company's Amended By-Laws, the general management of the Corporation, shall be vested in a Board of nine (9) directors, at least two (2) of whom shall be independent directors, who are stockholders and who shall be elected annually by the stockholders owning or representing the majority of the subscribed capital stock for the term of one (1) year and shall serve until the election and qualification of their successors.

A nomination of independent directors shall be conducted by the Nomination Committee prior to the stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. The Committee shall pre-screen the qualifications and prepare 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.

The names of the individuals who have been duly nominated as members of the Board of Directors of the Company, including independent directors, shall be presented during the ASM. The qualifications and profiles of the nominees are discussed in the Preliminary Information Statement. The stockholders who nominated the independent directors and other members of the Board are also disclosed in the Preliminary Information Statement.

Item 7: Appointment of External Auditor

Rationale: To appoint external auditor who will provide an opinion as to the fairness of the financial statements of the Company and assess the adequacy of the internal controls implemented by the Company.

The Audit and Risk Committee will recommend to the Board of Directors the appointment of external auditor who will provide an opinion on the fairness of the financial statements of the Company and assess the adequacy of internal controls implemented by the Company. The Audit and Risk Committee, in its meeting held on June 24, 2020, recommended to the Board of Directors the re-appointment of Sycip Gorres Velayo & Co. as the Company's external auditor for the calendar year 2020.

The re-appointment of Sycip Gorres Velayo & Co. was approved by the Board of Directors and shall be presented to the stockholders for approval.

Item 8: Approval of the Board Resolution dated July 6, 2020

Rationale: In accordance with the Corporation Code, the following matters shall be presented to the stockholders for approval of at least two-thirds (2/3) of the outstanding capital stock:

The Board of Directors, in its special meeting held on July 6, 2020, approved the declaration of five percent (5%) stock dividends out of the unissued capital stock and unappropriated retained earnings of the Company as of December 31, 2019. The record date of the stock dividends is on September 17, 2020 and to be distributed on October 13, 2020.

Item 9: Confirmation of all acts of the Board of Directors for the period covering January 1, 2019 to December 31, 2019 adopted in the ordinary course of business

Rationale: To obtain from the stockholders confirmation of all the acts of the Board of Directors for the period covering January 1, 2019 to December 31, 2019.

Confirmation of all the acts of the Board of Directors will be requested from the stockholders. All significant transactions required to be submitted to the Securities and Exchange Commission through SEC Form 17-C and to the Philippine Stock Exchange can be accessed on the Company's website (http://cityland.net/).

Item 10: Other Matters which may be raised before the body

Rationale: To give the stockholders the opportunity to ask questions and raise concerns.

The Chairman will ask the stockholders if there are other matters which any stockholder would like to present in the ASM. Such item/s will be discussed in the 2020 ASM.

CITYLAND

CITYLAND DEVELOPMENT CORPORATION

CERTIFICATION

I, Atty. Emma G. Jularbal, Corporate Secretary of Cityland Development Corporation with SEC Registration No. of 77823 with principal office address at 2/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City, on oath state:

1) That on behalf of Cityland Development Corporation, I have caused this Notice of Annual Stockholders' Meeting for the Year 2020;
2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
3) That Cityland Development Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of July 2020.

ATTY. EMMA G. JULARBAL
Affiant

SUBSCRIBED AND SWORN to before me this JUL 06 2020 at PASIG CITY affiant exhibiting me her Social Security Number 03-9243383-5 and other evidence of identification.

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Series of 2020

ATTY. ANDRE ANTON S. [illegible]
NOTARY PUBLIC FOR THE CITIES OF PASIG, SAN JUAN AND MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2020
APPOINTMENT NO.: 25
IBP ROLL NO.: 63345
IBP NO.: 012664/Lifetime/RSM
PTR No.: 6439657/01-03-2020/Pasig
Unit 105 Grand Emerald Tower, #6 F. Ortigas Jr. Ruby and Garnet Roads, Ortigas Center, Pasig City

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS
INFORMATION STATEMENT

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [**x**] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of the Registrant as specified in its charter **Cityland Development Corporation**

3. **Makati City, Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **77823**

5. BIR Tax Identification Code **000-527-103**

6. **2/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City** — **1226**
   Address of principal office — Postal Code

7. Registrant's telephone number, including area code **(632) 8-893-6060**

8. Date, time and place of the meeting of security holders

   Date - **August 18, 2020**
   Time - **4:00 pm**
   Place - **Virtually or via remote communication**

9. Approximate date on which the Information Statement is to be first sent or given to security holders **July 28, 2020**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares Outstanding
Unclassified Common Shares	**4,403,739,084 (net of 1,937,947 treasury shares)**

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes __x__ No _____

    If yes, disclose the name of such stock exchange and the class of securities listed therein:

Stock Exchange	Title of Each Class
Philippine Stock Exchange	**Unclassified Common Shares**

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

I. Date, Time and Place of Meeting of Security Holders

Date	-	August 18, 2020
Time	-	4:00 pm
Place	-	Virtually or via remote communication
Principal Office	-	2/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City, Philippines

Approximate date on which the Information Statement is to be first sent or given to security holders **July 28, 2020.**

II. Dissenters' Right of Appraisal

Under the Corporation Code, a dissenting stockholder who has voted against a proposed corporate action, shall have the right of appraisal or the right to demand payment of the fair value of his shares only in the following instances:

1. Any amendment to the Articles of Incorporation which has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of the outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. Sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;

3. Merger or consolidation; and

4. Investment in another corporation, business or for any purpose other than the primary purpose for which the corporation was organized.

Statutory procedures to be followed by the dissenting security holders in order to perfect such rights:

1. The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair values of his shares; provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

2. If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after the award is made; provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forth with transfer his shares to the corporation.

There is no matter to be acted upon at the Annual Stockholders' Meeting of the Registrant which would fall under any of the foregoing instances of appraisal.

III. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

1. No person who has been a director or officer of the Registrant, nor a nominee for election as a director of the Registrant, nor any of their associates have a substantial interest in any matter to be acted upon at the Annual Stockholders' Meeting, other than the election of directors for the fiscal year 2020.

2. No director has informed the Registrant in writing that he intends to oppose any action to be taken at the Annual Stockholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION

IV. Voting Securities and Principal Holders Thereof

1. The Registrant has **4,403,739,084** unclassified common shares issued and outstanding (excluding treasury shares which total to **1,937,947**) as of **March 31, 2020**. Each common share shall be entitled to one vote with respect to all matters to be taken up during the Annual Stockholders' Meeting.
2. The record date for determining stockholders entitled to notice and to vote during the Annual Stockholders' Meeting and also to this information statement is on **July 20, 2020**.
3. In the election of directors, the number of votes to which each stockholder is entitled shall be equal to the number of shares he owns multiplied by the number of directors to be elected. All stockholders shall have cumulative voting rights. Each stockholder may vote such number of shares for as many persons as there are directors to be elected or 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 shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.
4. Security Ownership of Record and Beneficial Owner and Management

    a. Security Ownership of Record and Beneficial Owner owning more than 5% of the outstanding capital stock of the Registrant as of March 31, 2020:

Title of Class	Name, Address & Relationship with Issuer	Beneficial Owner & Relationship	Citizenship	No. of Shares Held	%
Unclassified common shares	Cityland, Inc. 3/F Cityland Condominium 10 Tower 1,156 H.V. Dela Costa Street, Makati City - principal stockholder		Filipino	2,244,843,287	50.98%
Unclassified common shares	Grace C. Liuson 2072 Lumbang corner Cypress Streets, Dasmariñas Village, Makati City - Director / Vice Chairman of the Board	-N.A-	Filipino	234,963,764	5.34%

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

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

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

c. Security Ownership of Management as of March 31, 2020:

Title of Class	Name of Beneficial Owner / Position	No. of Shares Held	Nature of Ownership	Citizenship	%
Directors:					
Unclassified common shares	Andrew I. Liuson Director / Chairman of the Board	160,253,751	Direct / Indirect	Filipino	3.64%
Unclassified common shares	Stephen C. Roxas Director / Chairman of the Executive Committee	203,646,260	Direct / Indirect	Filipino	4.62%
Unclassified common shares	Grace C. Liuson Director / Vice Chairman of the Board	234,963,764	Direct	Filipino	5.34%
Unclassified common shares	Josef C. Gohoc Director / President	106,185,023	Direct / Indirect	Filipino	2.41%
Unclassified common shares	Peter S. Dee Independent Director / Chairman – Audit & Risk Committee	563,084	Direct	Filipino	0.01%
Unclassified common shares	George Edwin Y. SyCip Independent Director / Chairman – Corporate Governance Committee	1,118	Direct	American	-
Unclassified common shares	Helen C. Roxas Director	66,939,926	Direct	Filipino	1.52%
Unclassified common shares	Benjamin I. Liuson Director	475,050	Direct	Filipino	0.01%
Executive Officers:					
Unclassified common shares	Emma A. Choa Executive Vice President / Treasurer	2,974,138	Direct	Filipino	0.07%
Unclassified common shares	Rudy Go Senior Vice President / Chief Financial Officer / Compliance Officer & Corporate Information Officer / Data Protection Officer / Investor Relations Officer	2,007,070	Direct	Filipino	0.05%
Unclassified common shares	Melita M. Revuelta Vice President / Alternate Compliance Officer & Corporate Information Officer	186,792	Direct	Filipino	-
Unclassified common shares	Melita L. Tan Vice President	673,597	Direct	Filipino	0.02%
Unclassified common shares	Romeo E. Ng Vice President	2,574,623	Direct	Filipino	0.06%
Unclassified common shares	Rosario D. Perez Vice President – Executive Affairs	709,477	Direct	Filipino	0.02%
Unclassified common shares	Winefreda R. Go Vice President – Purchasing Department	8,127	Direct	Filipino	-
Unclassified common shares	Atty. Emma G. Jularbal Vice President - Legal Affairs / Corporate Secretary	3,881	Direct	Filipino	-
Unclassified common shares	Dorothy U. So Assistant Vice President - Head of Internal Audit Department	3,521,064	Direct	Filipino	0.08%
Unclassified common shares	Catherine Grace T. Wong Assistant Corporate Secretary	4,976,250	Direct	Filipino	0.11%
Security Ownership of all Directors and Officers		**790,662,995**			**17.96%**

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

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

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

e. Percentage of ownership as of March 31, 2020:

Nationality	Number of shares	Percentage of ownership
Local-owned shares (Filipino)	4,270,408,133	96.97
Foreign-owned shares (Non-Filipino)	133,330,951	3.03
Total	4,403,739,084	100.00

V. Directors and Executive Officers

1. Identify Directors, Including Independent Directors, and Executive Officers

The following are the Directors and Executive Officers of the Company for the year 2019:

Name	Citizenship	Position(s)	Term of Office (Year)	Period of Service	Age	Family Relationship
Dr. Andrew I. Liuson	Filipino	Director Chairman of the Board	1	09/25/79 to present 12/13/17 to present	75	Husband of Grace C. Liuson; brother-in-law of Stephen C. Roxas; and brother of Benjamin I. Liuson
Stephen C. Roxas	Filipino	Director Chairman of the Executive Committee	1	09/25/79 to present 07/01/97 to present	78	Husband of Helen C. Roxas; brother of Grace C. Liuson; brother-in-law of Dr. Andrew I. Liuson; and uncle of Josef C. Gohoc
Grace C. Liuson	Filipino	Director Vice Chairman of the Board	1	09/25/79 to present 01/05/18 to present	74	Wife of Dr. Andrew I. Liuson; sister of Stephen C. Roxas; aunt of Josef C. Gohoc; and sister-in-law of Helen C. Roxas and Benjamin I. Liuson
Josef C. Gohoc	Filipino	Director President	1	01/04/11 to present 02/01/11 to present	50	Nephew of Stephen C. Roxas, Helen C. Roxas, Grace C. Liuson and Dr. Andrew I. Liuson
Atty. Sabino R. Padilla, Jr.	Filipino	Director	1	06/2006 to 12/23/19	84	---
Peter S. Dee	Filipino	Independent Director Chairman - Audit & Risk Committee	1	10/1979 to present 08/2002 to present	78	---
George Edwin Y. SyCip	American	Independent Director Chairman - Corporate Governance Committee	1	12/13/17 to present 04/06/18 to present	64	---
Helen C. Roxas	Filipino	Director	1	09/25/79 to present	70	Wife of Stephen C. Roxas; sister-in-law of Grace C. Liuson, Dr. Andrew I. Liuson
Benjamin I. Liuson	Filipino	Director	1	06/06/19 to present	70	Brother of Dr. Andrew I. Liuson; and brother-in-law of Grace C. Liuson
Emma A. Choa	Filipino	Executive Vice President Treasurer	1	01/01/15 to present 02/01/11 to present	59	---
Rudy Go	Filipino	Senior Vice President/ Chief Financial Officer/ Compliance Officer & Corporate Information Officer Data Protection Officer Investor Relations Officer	1	01/01/15 to present 08/29/17 to present 06/06/18 to present	60	---
Melita M. Revuelta	Filipino	Vice President Alternate Compliance Officer & Alternate Corporate Information Officer	1	01/16/08 to present 01/01/15 to present	61	---
Melita L. Tan	Filipino	Vice President	1	02/21/04 to present	60	---

Name	Citizenship	Position(s)	Term of Office (Year)	Period of Service	Age	Family Relationship
Romeo E. Ng	Filipino	Vice President	1	01/10/05 to present	58	---
Rosario D. Perez	Filipino	Vice President - Executive Affairs	1	02/09/17 to present	61	---
Winefreda R. Go	Filipino	Vice President - Purchasing Department	1	01/05/18 to present	61	---
Atty. Emma G. Jularbal	Filipino	Vice President - Legal Affairs / Corporate Secretary	1	07/2001 to present 07/1997 to present	64	---
Dorothy U. So	Filipino	Assistant Vice President - Head of Internal Audit Department	1	07/2001 to present	61	---
Catherine Grace T. Wong	Filipino	Assistant Corporate Secretary	1	07/01/13 to present	63	---

Business Experience for the Past Five Years

Name	Name of Office	Positions
DR. ANDREW I. LIUSON	Cityland, Inc.	Director / Vice Chairman of the Board
	City & Land Developers, Incorporated	Director / Vice Chairman of the Board
	Cityplans, Incorporated	Director / Chairman of the Board
	Febias College of Bible	Chairman
	International Graduate School of Leadership	Chairman
	Philippine Council of Evangelical Churches	Chairman
	Makati Gospel Church	Corporate Secretary / Trustee
STEPHEN C. ROXAS	Cityland, Inc.	Director / Chairman of the Board
	City & Land Developers, Incorporated	Director / Chairman of Executive Committee
	Cityplans Incorporated	Director / President
	MGC New Life Christian Academy	Chairman
	Center for Community Transformation	Vice Chairman
GRACE C. LIUSON	Cityland, Inc.	Director / Deputy Vice Chairman of the Board
	City & Land Developers, Incorporated	Director / Deputy Vice Chairman of the Board
	Cityplans, Incorporated	Director / Executive Vice President / Treasurer
	Youth Gospel Center in the Philippines	Treasurer / Trustee
	Makati Gospel Church	Treasurer / Trustee
JOSEF C. GOHOC	Cityland, Inc.	Director / President
	City & Land Developers, Incorporated	Director / President
	Asian Business Solutions, Inc.	Director
	Philippine Trading & Investment Corporation	Director
	Atlas Agricultural & Mercantile Development Corp.	Director
	Febias College of Bible	Board of Trustee
	International Graduate School of Leadership	Board of Trustee
ATTY. SABINO R. PADILLA, JR.*	Padilla Law Office	Partner
	Apostolic Nunciature to the Phils.	Legal Counsel
	Catholic Bishops' Conference of the Philippines (CBCP) and various archdioceses, dioceses, & prelatures	Legal Counsel
	Association of Major Religious Superiors of the Philippines	Legal Counsel
	Philippine Association of Religious Treasurers	Legal Counsel
	Grace Christian College	Legal Counsel
	Various Catholic religious congregations, orders and societies for men and women (Dominicans, Augustinian, Franciscan, Columbans, Religious of the Virgin Mary, Daughters of Charity, Sisters of St. Paul	Legal Counsel

Name	Name of Office	Positions
	of Chartres, Carmelite Sisters, Holy Spirit Sisters, etc.)	
	Bank of the Philippine Islands and its subsidiaries	Legal Counsel
	Ayala Land, Inc.	Legal Counsel
	City & Land Developers, Incorporated	Director / Chairman of the Board
	State Investment Trust, Inc.	Legal Counsel
	Stateland Investment, Inc.	Chairman of the Board / Legal Counsel
	Mother Seton Hospital	Legal Counsel
	St. Paul Hospital Cavite	Legal Counsel / Trustee
	Various Catholic universities, colleges, schools, and foundation.	Trustee

**Atty. Sabino R. Padilla, Jr. passed away last December 23, 2019.*

PETER S. DEE	Alpolac, Inc.	Director
	China Banking Corporation	Director
	CBC Insurance Brokers, Inc.	Chairman of the Board
	CBC Properties & Computer Center, Inc.	Director / President
	Cityland, Inc.	Independent Director / Chairman - Audit & Risk Committee / Chairman - Corporate Governance Committee
	City & Land Developers, Incorporated	Independent Director / Chairman - Audit & Risk Committee
	Cityplans, Incorporated	Independent Director / Chairman- Compensation Committee / Chairman - Audit Committee / Member - Nomination and Election Committee
	Commonwealth Foods, Inc.	Director
	GDSK Development Corporation	Director
	Hydee Management & Resources Corporation	Director
	Kemwerke, Inc.	Director
	Makati Curbs Holdings Corporation	Director
	Great Expectation Holdings, Inc.	Director / Chairman / President
	The Big D Holdings Corporation	Director / Chairman / President
GEORGE EDWIN Y. SYCIP	Halanna Management Corp.	President
	Bank of the Orient	Director
	Asian Alliance Holdings and Development Corp.	Director
	FMF Development Corporation	Director
	Paxys, Inc.	Director
	Premiere Horizon Alliance Corporation	Director
HELEN C. ROXAS	Cityland, Inc.	Director
	City & Land Developers, Incorporated	Director
	Cityplans, Incorporated	Director
	Good Tidings Foundation, Inc.	Treasurer
	MGC New Life Christian Academy	Board Member
BENJAMIN I. LIUSON	Cityland, Inc.	Director
	City & Land Developers, Incorporated	Director
	The Generics Pharmacy, Inc.	Vice Chairman
	TGP Pharma Inc.	Vice Chairman
	CL Realty Development Inc.	President
	Romans 828 Land, Inc.	President
	Silverwind Alloy Castings Inc.	Director
	Drugmakers Lab Inc.	Director
	Febias College of Bible	Trustee
	Center for Community Transformation, Inc.	Trustee
	Gospel Operation Phil. Inc.	Trustee
	Bless Foundation Inc.	Trustee
	Global Filipino Movement, Inc.	Trustee
	Makati Gospel Church	Trustee
	Jedidiah Inc.	President
	Keziah Inc.	President

Name	Name of Office	Positions
EMMA A. CHOA	Cityland, Inc.	Executive Vice President / Treasurer
	City & Land Developers, Incorporated	Executive Vice President / Treasurer
	WorldNet Information and Services, Inc.	Treasurer
RUDY GO	Cityland, Inc.	Senior Vice President / Chief Financial Officer / Compliance Officer & Corporate Information Officer / Data Protection Officer
	City & Land Developers, Incorporated	Senior Vice President / Chief Financial Officer / Compliance Officer & Corporate Information Officer / Data Protection Officer / Investor Relations Officer
	Cityplans, Incorporated	Senior Vice President / Compliance Officer / Data Protection Officer
MELITA M. REVUELTA	Cityland, Inc.	Vice President & Asst. Corporate Secretary / Alternate Compliance Officer & Alternate Corporate Information Officer
	City & Land Developers, Incorporated	Vice President / Alternate Compliance Officer & Alternate Corporate Information Officer
	Cityplans, Incorporated	Vice President / Alternate Compliance Officer
	WorldNet Information and Services, Inc.	President
MELITA L. TAN	Cityland, Inc.	Vice President
	City & Land Developers, Incorporated	Vice President
ROMEO E. NG	Cityland, Inc.	Vice President
	City & Land Developers, Incorporated	Vice President
ROSARIO D. PEREZ	Cityland, Inc.	Vice President - Executive Affairs
	City & Land Developers, Incorporated	Vice President - Executive Affairs
	WorldNet Information and Services, Inc.	Auditor
WINEFREDA R. GO	Cityland, Inc.	Vice President - Purchasing Department
	City & Land Developers, Incorporated	Vice President - Purchasing Department
ATTY. EMMA G. JULARBAL	Cityland, Inc.	Vice President - Legal Affairs / Corporate Secretary
	City & Land Developers, Incorporated	Vice President - Legal Affairs / Corporate Secretary
	WorldNet Information and Services, Inc.	Director / Vice President
	Servicore, Inc.	Director
	Cityland Foundation, Inc.	Trustee / Chairman
	Cityland for Social Progress Foundation, Inc.	Trustee / President
	Christian Executive, Inc.	Trustee / Corporate Secretary
DOROTHY U. SO	Cityland, Inc.	Assistant Vice President - Head of Internal Audit Department
	City & Land Developers, Incorporated	Assistant Vice President - Head of Internal Audit Department
CATHERINE GRACE T. WONG	Cityland, Inc.	Executive Secretary of Chairman of the Executive Committee
	WorldNet Information and Services, Inc.	Corporate Secretary

2. Identify Significant Employees

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

3. Involvement in Certain Legal Proceedings of Any of the Directors and Executive Officers During the Past Five Years up to the Latest Date

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

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

4. Attendance of Board of Directors

For the year 2019, there were 30 Board of Directors' meetings. Below is the summary of the attendance of the Board of Directors:

	No. of Meetings Attended / Held		
	Regular	Special	Total
Dr. Andrew I. Liuson	4 / 4	26 / 26	30/30
Mr. Stephen C. Roxas	4 / 4	26 / 26	30/30
Mrs. Grace C. Liuson	4 / 4	26 / 26	30/30
Mr. Josef C. Gohoc	4 / 4	26 / 26	30/30
Atty. Sabino R. Padilla, Jr. *(died on December 23, 2019)*	3 / 4	25 / 26	28/30
Mr. Peter S. Dee	4 / 4	25 / 26	29/30
Mr. George Edwin Y. SyCip	2 / 4	24 / 26	26/30
Mrs. Helen C. Roxas	4 / 4	26 / 26	30/30
Mr. Benjamin I. Liuson (*elected on June 6, 2019)*	3 / 3	11 / 11	14/14

5. Legal Proceedings to Which the Registrant or Any of its subsidiaries is a Party

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

- **COMPANY**

A. Cityland Development Corporation

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

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

Cityland stated in its Answer that it cancelled the above-mentioned Contract to Sell in compliance with the instruction of Katsui in her letter, in behalf of all the Buyers, dated

June 21, 2011. She was informed that she is not entitled to any cash surrender value under R.A. No. 6552 that requires a minimum payment of 24 monthly installments. Katsui paid only 14 installments. Besides, the unit is a commercial unit which is not covered by the law which seeks to protect buyers of residential units. Unfavorable decision was rendered by the HLURB and the same was elevated to the Office of the President which is now pending.

B. City & Land Developers, Incorporated

1. **Republic of the Philippines represented by the Department of Public Works and Highways (DPWH), through the Bureau of Design-Right of Way Office (BOD- ROWO) vs. City & Land Developers, Inc.**
   Case No. CA G-R. No. CV-112245
   Court of Appeals
   Date Instituted: July 16, 2013

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

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

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

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

   CLDI stated in its Answer that plaintiff has not proven its claim over Benedictine Street because the Deed of Donation used by the plaintiff is a falsified and/or spurious document. Furthermore, there is a Right-of-Way Agreement for Benedictine Street. Case was dismissed. However, SAVHA filed a Motion for Reconsideration which was granted. SAVHA's unnotarized Judicial Affidavit of first witness was expunged from the records of the case. SAVHA's legal counsel withdrew from the case. New counsel for SAVHA appeared. Trial of the case is ongoing.

- **PROPERTY**

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

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

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

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

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

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

6. Nominees for Election as Members of the Board of Directors for the ensuing term / year:

The following have been nominated to the Board of Directors for the ensuing term / year.

George Edwin Y. SyCip (Independent Director)	Peter S. Dee (Independent Director)
Dr. Andrew I. Liuson	Josef C. Gohoc
Stephen C. Roxas	Helen C. Roxas
Grace C. Liuson	Benjamin I. Liuson

The Company is still in the process of selecting the replacement of Atty. Sabino R. Padilla, Jr. Due to the COVID-19 pandemic, the Company's meeting with prospective nominees is limited to ensure the health and safety of everyone.

The independent directors possess all qualifications to serve as an independent director of the Company, as provided for in Section 38 of Securities Regulation Code (SRC) and its implementing rules.

The final list of nominees for independent directors as nominated by respective stockholders of Cityland Development Corporation and endorsed by Nomination Committee are the following:

Independent Directors	Nominating Stockholders
George Edwin Y. SyCip	Romeo E. Ng
Peter S. Dee	Marianne M. Martin

The aforementioned nominees were nominated by the respective stockholders who are not related to said nominees.

The Corporate Governance Committee performs the role of the Nomination Committee. The following are the members of the Corporate Governance Committee:

Mr. George Edwin Y. SyCip (Chairman)
Mr. Stephen C. Roxas
Dr. Andrew I. Liuson

7. Procedures for Nomination and Election of Independent Directors

a. Nomination of independent directors shall be conducted by the Corporate Governance Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

The Committee shall pre-screen the qualifications and prepare 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 director/s.

After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of "Annex C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the company is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent directors shall be identified in such report including any relationship with the nominee.

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

b. Subject to pertinent existing laws, rule and regulations, the conduct of the election of the independent director shall be made in accordance with the standard election procedures of this By-laws.

It shall be the responsibility of the Chairman of the 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 stockholders' meeting.

Specific slot for the independent directors shall not be filled-up by unqualified nominee.

8. Related Party Transactions

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

There is an existing management contract with Cityland, Inc. (CI), its parent company, wherein CI provides management services for the business of the Registrant. The agreement is for a period of five years renewable automatically for another five years unless either party notifies the other six months prior to expiration. The management fee is based on a certain percentage of net income as mutually agreed upon by both parties. The management fees for 2019, 2018 and 2017 were waived by CI. There are no conditions attached to the waiver of these management fees.

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

Please refer to Note 26 – Related Party Transactions of the Notes to 2019 Audited Consolidated Financial Statements which is incorporated in the Index to Financial Statements and Supplementary Schedules.

9. Parent Company of the Registrant:

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

VI. Compensation of Directors and Executive Officers

Executive Compensation Summary Table

Name	Position	2020 (estimate)
Josef C. Gohoc	President	x
Emma G. Jularbal	Vice President - Legal	x
Melita L. Tan	Vice President	x
Ma. Veronica S. Emaguin	Senior Manager	x
Alvin Albert Anthony H. Ocampo	Assistant Manager	x
Salaries		₱5,000,484
Bonus		1,271,721
Others		140,400
Total (Top 5)		**₱6,412,605**
(Forward)		

Name	Position	2020 (estimate)
Salaries		₱23,850,660
Bonus		6,115,173
Others		696,000
All officers & directors as a group unnamed		**₱30,661,833**
Grand Total		**₱37,074,438**

Name	Position	2019 (actual)
Josef C. Gohoc	President	x
Emma G. Jularbal	Vice President - Legal	x
Melita L. Tan	Vice President	x
Dorothy U. So	Assistant Vice President – Internal Audit	x
Therese Raimunda A. Anoos	Assistant Vice President – Financial Management and Service Department	x
Salaries		₱6,317,083
Bonus		1,621,484
Others		9,272,266
Total (Top 5)		**₱17,210,833**
Salaries		₱21,780,391
Bonus		5,720,948
Others		8,449,002
All officers & directors as a group unnamed		**₱35,950,341**
Grand Total		**₱53,161,174**

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

The Group has no standard arrangements with regard to the remuneration of its directors. In 2019, 2018, and 2017, the Board of Directors received a total of ₱38.72 million, ₱23.52 million and ₱20.43 million, respectively, including a total per diem of ₱1.18 million per annum (aggregate of CLDI and CDC) for the board meetings attended. Moreover, the Group has no standard arrangement with regard to the remuneration of its existing officers aside from the compensation received nor any other arrangement with employment contracts, compensatory plan and stock warrants or options.

VII. Independent Public Accountants

1. Sycip Gorres Velayo & Co. (SGV & Co.) is the Registrant's external auditor for the calendar year 2019. The same accounting firm is being recommended for re-election at the scheduled annual stockholders' meeting.

2. Representatives of SGV & Co. are expected to be present at the annual stockholders' meeting and will respond to queries concerning the audited financial statements.

3. Pursuant to SRC Rule 68 paragraph (3)(b)(ix) (Rotation of External Auditors), Ms. Aileen L. Saringan, partner of SGV & Co., was assigned as signing partner for the Registrant's financial statements starting the calendar year 2017.

OTHER MATTERS

VIII. Action with Respect to Reports

The Minutes of the Annual Stockholders' Meeting held last June 6, 2019 will be read and submitted to the stockholders for their approval. The said Minutes show that the following matters were approved by the stockholders during the 2019 annual stockholders' meeting:

1. Reading and approval of the minutes of the previous regular annual stockholders' meeting and special stockholders' meeting.
2. Consideration and approval of the Annual Report and related financial statements for the year 2018.
3. Election of Directors (including Independent Directors)
4. Appointment of the external auditor for the calendar year 2019
5. Approval of the Board Resolution dated April 25, 2019 regarding the declaration of five percent (5%) stock dividends out of retained earnings which will be taken from unissued capital stock to stockholders of record as of July 5, 2019 to be distributed on July 31, 2019
6. Confirmation of all acts of the management and the Board of Directors
7. Other matters which were raised before the body

IX. Other Proposed Actions

1. Confirmation of all acts of the Board of Directors for the period covering January 1, 2019 to December 31, 2019 adopted in the ordinary course of business:

   a. Approval of investments;
   b. Treasury matters related to opening of accounts and bank transactions;
   c. Appointment of signatories and amendments thereof; and
   d. Approval of Annual report and related financial statements.

2. Appointment of the external auditor

   The Audit and Risk Committee, in its meeting held on June 24, 2020, recommended to the Board of Directors the re-appointment of Sycip Gorres Velayo & Co. as the Company's external auditor for the calendar year 2020.

3. Approval of the Board Resolution dated July 6, 2020 regarding the declaration of five percent (5%) stock dividends out of the unappropriated retained earnings

X. Voting Procedures

1. Vote Required for Approval or Election

   At least majority of the outstanding capital stock of the Registrant is required for the election of directors and for the approval of the following matters:

   a. Minutes of the previous Annual Stockholders' Meeting
   b. Appointment of external auditor
   c. Acts of the management and of the Board of Directors relative to the Annual report and related financial statements.

2. Each common share shall be entitled to one vote with respect to all matters to be taken up during the annual stockholders' meeting. In accordance with the Company's Amended By-Laws, voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita.

3. In light of the COVID-19 global pandemic, the Board of Directors has decided to conduct a virtual ASM via Zoom or its equivalent. As a result, there will be no physical venue allotted for stockholders to attend the meeting.

   Stockholders who intend to attend and participate in the virtual meeting through proxy shall first submit via email to info@professionalstocktransfer.com the scanned copy of the letter of intent to attend and participate via proxy by remote communication. Once validated, a registered stockholder will receive via email the proxy form.

Validation of proxies shall be until 4:00 pm of August 11, 2020. Registered stockholders will receive the meeting link and password two days before the ASM.

Only stockholders who have notified the Company of their intention to participate in the virtual meeting and have registered themselves or their proxies, will be included in the determination of a quorum.

We are not soliciting your proxy.

4. The Company's Stock Transfer Agent together with the Office of the Corporate Secretary will tabulate all valid and confirmed votes. The Company also has an independent party that will validate the votes counted by the Secretary.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on July 13, 2020.

CITYLAND DEVELOPMENT CORPORATION

JOSEF C. GOHOC
President

CITYLAND DEVELOPMENT CORPORATION
THE PRESIDENT'S REPORT

According to the Philippines Statistics Authority, the Gross Domestic Product (GDP) grew by 6.4% in the fourth quarter of 2019 which brought the average GDP for the full year to 5.9%. The country faced several headwinds for growth at the start of 2019 such as the delay in the 2019 national budget, the African Swine Fever (ASF) and the US-China trade war. Amidst the challenges, the Philippine economy remained strong in 2019 due to the government's tax administration improvement and the increase in government spending.

The emergence of the COVID-19 virus towards the end of 2019 has a significant impact on the economic growth for the whole year of 2020. The Group is optimistic that the economy will rebound in 2021, assuming that infections are curbed within the year. The Group's discussion about the effect of COVID-19 is reflected in Note 33, *Events after Reporting Period*, in the Audited Consolidated Financial Statements as of and for the year ended December 31, 2019.

The Philippine property market has grown robustly through the years. The government's "Build, Build, Build" program is seen to modernize the country's infrastructure which will enhance connectivity and mobility. Due to the disruptions resulting from the quarantines brought by the COVID-19 pandemic, the government plans to revive the economy by restarting and accelerating this program. The Information Technology-Business Process Management (IT-BPM) has been a significant demand driver for office spaces, while the industrial property market was driven by the strong demand from starting families, overseas and foreign workers and young professionals. Office and residential demand is expected to slowdown temporarily due to the pandemic and is seen to recover towards the end of the year as the quarantine measures are slowly easing restrictions. Due to the physical distancing which is required to be implemented in the workplaces, companies may need bigger spaces for their employees. With this, the Company is hopeful that rental income will increase in the subsequent periods. There may also be a demand for BPO sector as a result of global companies to outsource their businesses while their countries battle the effects of the pandemic. Moreover, lockdowns and quarantines had reduced people's mobility increasing online consumer activities. E-commerce activity is expected to thrive and will drive up the need for warehouse space for online retailers. Due to the new trends and opportunities, the real estate sector is well positioned to gradually recover from the impact of the COVID-19 pandemic.

GENERAL NATURE OF BUSINESS

A. Background Information

1. Brief Company History

Cityland Development Corporation (the Company or CDC) is a domestic publicly listed corporation which is duly organized and existing under and by virtue of the laws of the Philippines since January 31, 1978 with the primary purpose of engaging in real estate development. The Company is 50.98%-owned by Cityland, Inc. (CI), the ultimate parent company incorporated in the Philippines, which also prepares consolidated financial statements.

2. Listing in Stock Exchange

On August 2, 1983, the PSE approved the listing of the Parent Company's common shares.

3. Subsidiaries

The following are the subsidiaries of the Company:

a. City & Land Developers, Incorporated (CLDI): a domestic publicly listed corporation and a real estate company incorporated under the laws of the Philippines and registered with the Securities and Exchange Commission (SEC) on June 28, 1988. It is 49.73%-owned by CDC.

b. Cityplans, Incorporated (CPI): a pre-need company incorporated under the laws of Philippines and registered with the SEC on October 27, 1988. It is 90.81%-owned by CDC.

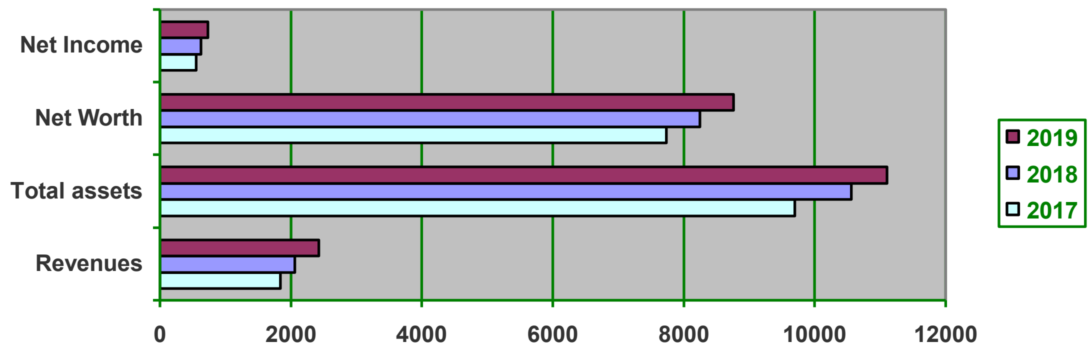
4. Nature of Operations

The primary purpose of CDC and its subsidiaries (the Group) is to acquire and develop suitable land sites for residential, office, commercial, institutional, and industrial uses. CPI is engaged in the business of establishing, organizing, developing, maintaining, conducting, operating, marketing and selling pension plans. As of February 2007, CPI has stopped selling pre-need plans.

The Group's projects include medium to high-rise office, commercial, and residential condominiums located in cities of Metro Manila such as Makati, Mandaluyong, Manila, Pasig and Quezon City; and residential subdivisions and farmlots in Parañaque, Bulacan and Cavite.

FINANCIAL HIGHLIGHTS

	In Millions of Pesos		
	2019	2018	2017
Consolidated Net Income	**734.14**	**628.27**	**551.93**
Consolidated Net Worth	**8,760.49**	**8,247.68**	**7,733.28**
Consolidated Total Assets	**11,107.96**	**10,561.47**	**9,698.83**
Consolidated Revenues	**2,429.98**	**2,055.90**	**1,843.38**



In May 2019, CDC has turned over Pines Peak Tower II which was completed ahead of its scheduled turnover. Moreover, the subsidiary, CLDI has topped off its newest condominium, One Taft Residences in Manila last October 28, 2019. In 2018, CDC launched 101 Xavierville and Pioneer Heights I with percentage of completion at 35.44% and 23.23%, respectively as of December 31, 2019.

5. Project Description

CDC

Future Project:

Pioneer Heights 2

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

Ongoing Projects:

Pioneer Heights 1

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

Estimated Date of Completion: December 2023

101 Xavierville

101 Xavierville is a high-rise, mixed-use condominium building with residential units from 8th-42nd floor and commercial units at ground floor located along Xavierville Avenue, Loyola Heights, Quezon City. The project is easily accessible to various schools such as Ateneo de Manila University, University of the Philippines and Miriam College; recreational parks and leisure places.

Estimated Date of Completion: February 2024

<u>Completed Projects:</u>

Buildings for Lease

- *CityNet Central*

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

- *CityNet1*

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

Pines Peak Tower II

Pines Peak Tower II is a 27-storey residential condominium conceptualized for the fast-paced Filipino family. It is beside Pines Peak Tower I along Pines St., Brgy. Barangka Ilaya, Mandaluyong City. It is only a block away from the major thoroughfare of EDSA, near Shaw Boulevard, Pioneer and MRT Boni Station. The project is easily accessible to various commercial centers like Shangri-La Mall, Star Mall, Robinson's Place Pioneer, SM Megamall, The Podium, Metrowalk and schools like Lourdes, St. Paul and University of Asia and the Pacific. This project was completed in May 2019.

Pines Peak Tower I

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

Grand Central Residences

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

Makati Executive Tower IV

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

Mandaluyong Executive Mansion III

Mandaluyong Executive Mansion III is a 7-storey commercial and residential condominium located at G. Enriquez St., Brgy. Vergara, Mandaluyong City. It is in close proximity to schools, malls, churches and hospitals. Its amenities include playground, swimming pool, basketball court and 24-hour association security.

Makati Executive Tower III

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

Manila Executive Regency

Manila Executive Regency is a 39-storey office, commercial and residential condominium situated along J. Bocobo St. Ermita. This property has a close proximity to churches, malls, parks, party places, historical places, government institutions, and commercial establishments. Its amenities and facilities include swimming pool, gym, spa, function room, children's playground and Manila Bay viewing deck.

Makati Executive Tower II

Makati Executive Tower II is a 35-storey residential condominium located in Dela Rosa St., corner Medina St., Makati City. The tower offers a great location being few steps away from shopping centers, hotels, banks, hospitals, churches and major thoroughfares. Also, its proximity to LRT and MRT gives easy access to transportation.

CLDI

Future Project:

One Hidalgo

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

Ongoing Project:

One Taft Residences

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

Estimated Date of Completion: September 2022

Completed Projects:

North Residences

This 29-storey commercial and residential condominium is located along EDSA (beside WalterMart) corner Lanutan, Brgy. Veterans Village, Quezon City. It is conceptualized for the practical modern families to enjoy suburban city living that is friendly on the budget. The project was turned over in March 2018.

Manila Residences Bocobo

Manila Residences Bocobo is a 34-storey commercial, office and residential condominium located along Jorge Bocobo St., Ermita, Manila City. Its amenities and facilities include swimming pool, children's play area, gym, multi-purpose deck, function room and 24-hour association security. It is proximate to schools, malls, banks, hospitals, restaurants, churches, government offices and other leisure establishments.

Grand Emerald Tower

Grand Emerald Tower is a 39-storey commercial, office and residential condominium located along Emerald Avenue Corner Ruby and Garnet Streets, Ortigas Center, Pasig City. Its amenities and facilities include swimming pool, gymnasium, viewing deck, sauna, children's playground, multi-purpose function room, and 24-hour association security. It is proximate to schools, hospitals, shopping malls, banks, restaurants, hotels, churches and other leisure and business establishments.

Pacific Regency

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

CPI

Windsor Mansion

Windsor Mansion is an 8-storey commercial and residential condominium located along Evangelista St., New Santolan, Pasig City. Amenities and facilities include 2 elevators, administrative office, visitors' lounge, provision for cable TV and telephone line, individual water sub meter / Meralco meter and 24-hour association security. This project is also developed together with Cityland, Inc (CI).

Oxford Mansion

Oxford Mansion is an 8-storey commercial and residential condominium located along Evangelista St., New Santolan, Pasig City. Amenities and facilities include 2 elevators, administrative office, visitor's lounge, provision for cable TV and telephone line, individual water sub meter / Meralco meter and 24-hour association security. This project is also developed together with CI.

Pasig Royale Mansion

Pasig Royale Mansion is an 8-storey mid-rise condominium located at Evangelista St., New Santolan, Pasig City. Amenities and facilities include a swimming pool, a function room, a viewing area and a visitor's lounge. This project is also developed together with CI.

6. Major Risks Involved in Each of the Business of the Company

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

INTERNAL FACTORS

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

The Group manages such refinancing risks by having a current and acid-test ratio of 3.08:1 and 1.62:1 as of December 31, 2019 from 2.80:1 and 1.67:1 as of December 31, 2018, respectively.

Credit Risk

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

a. The credit risk on the installment contracts receivable and contract assets may arise from the buyers who may default on the payment of their amortizations. The Group manages this risk by dealing only with recognized, credit worthy third parties. Moreover, it is the Group's policy to subject customers, who buy on financing, to credit verification procedures. Also, installment contracts receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is insignificant.

b. The credit risk on the other financial assets of the Group such as investment in trust fund, cash and cash equivalents, short-term and long-term investments, installment contracts receivable, contract assets, notes receivable, guaranty deposits, refundable deposits, financial assets at fair value through other comprehensive income (FVOCI) and other assets may arise from default of the counterparty. The Group manages such risks in accordance to its policy where the Group shall enter into transaction with diversity of creditworthy parties to mitigate any significant concentration of credit risks. As such, there are no significant concentrations of credit risks in the Group.

Interest Rate Risk

This is the risk arising from uncertain future interest rates.

The Group's financial instruments consist of:

a. The Group's financial assets mainly consist of installment contract receivables, contract assets, notes receivable, cash and cash equivalents, short-term and long-term investments, guaranty deposits, refundable deposits and other receivables. Interest rates on these assets are fixed at their inception and are therefore not subject to fluctuations in interest rates.

b. For the financial liabilities, the Group only has commercial papers which bear fixed interest rates, thus, are not exposed to fluctuations in interest rates.

Market Risk

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

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

Liquidity Risk

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

a. *Asset-Liability Management:* Funding sources are substantially from short-term borrowings. Funding sources are abundant and provide a competitive cost advantage. The Group also holds financial assets for which there is a liquid market and are, therefore, readily saleable to meet liquidity needs.

b. *Conservative/Liability Structure:* Funding is widely diversified. There is little reliance on wholesale funding services or other credit sensitive fund providers. The Group accesses funding across a diverse range of markets and counter parties.

c. *Excess Liquidity:* The Group maintains considerable excess liquidity to meet a broad range of potential cash outflows from business needs including financial obligations.

d. *Funding Flexibility:* The Group has an objective to maintain a balance between continuity of funding and flexibility through the use of commercial papers.

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

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

GROUP'S BUSINESS AND OPERATIONS

Land Banking

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

The Group currently has prime lots for future development and/or investment properties which are located in the different areas of Metro Manila and Cavite. The management also is in continuous study and research on the possible land acquisition which will depend on the need of the Group and negotiations with prospective sellers. For the land value changes and decline, the Group continues to be cautious in buying new properties by conducting studies on appraisal and conditions of the property within the vicinity.

Property development and construction

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

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

These risks are managed by the Group as follows:

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

ECONOMIC FACTORS

Economic

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

Effect of climate change

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

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

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

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

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

Political

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

Industry

The industry is characterized by boom-bust cyclical pattern exhibited in the past couple of decades where the industry normally goes through years of robust growth following years of slowdown. In 2020, the effects of the COVID-19 pandemic has caused a significant impact on the real estate industry.
With the united effort of the government, businesses and the people, the Philippine economy will recover in due time. The Group has adopted business continuity plans and strategies to mitigate the impact.

Competition	The demand for housing especially in the medium-cost category has moderately stepped up. The situation has attracted both old and new players to develop projects that cater to this rising demand. As a result of the foregoing, competition in the area of medium-cost development is expected to intensify. The Group believes that it is in a better position to cope with the competition because of the affordability of the projects it offers in the market.
Asset Price Bubble	Asset price bubble in real estate occurs when there is a seeming increase in the demand for housing units which leads the developers to build more and when there is already a significant gap between the demand and the supply, this will lead to a sudden decline in the value of the properties. The country's property sector remained vibrant in 2019 as evidenced by the Philippine Residential Real Estate Price Index (RREPI), a method which measures the price changes of residential housing. Residential real estate prices for various types of housing units, as measured by the RREPI, rose by 10.2% year-on-year in the 4th quarter of 2019. While this is the second consecutive quarter that the index has registered a double-digit growth, this is slightly lower than the 10.4% growth in 3rd quarter of 2019, but higher than the 0.6% in 4th quarter of 2018. The RREPI is a measure of the average change in the prices of various types of housing units, i.e., single detached/attached houses, duplexes, townhouses and condominium units, based on banks' data on loans used to acquire new housing units. It is a chain-linked index, which is computed using the average appraised value per square meter, weighted by the share of floor area of each type of housing unit to the total floor area of all housing units. The RREPI is used as an indicator for assessing the real estate and credit market conditions in the country. The Bangko Sentral ng Pilipinas (BSP) has been closely monitoring the real estate property sector as shown by its Circulars issued requiring all universal and commercial banks as well as thrift banks to submit quarterly reports on Residential Real Estate Loans granted to determine the risks from the real estate market. As part of the BSP's initiative to monitor the real estate sector, the RREPI was devised to determine the real estate and credit market conditions in the country. Demand for residential properties particularly condominium units is due to strong demand from starting families and young professionals. The Group minimizes exposure to asset price bubble by focusing on what these starting families and young professionals require – strategic location and reasonable price.

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

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

7. Management's Discussion and Analysis or Plan of Operation

<u>Financial Performance</u>

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

- One Premier (a project of CI in which some condominium units and parking slots were assigned to CDC)
- Pioneer Heights 1 (a project of CDC)
- 101 Xavierville (a project of CDC)
- One Taft Residences (a project of CLDI)

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

Cityland Development Corporation
- Pines Peak Tower II
- Pines Peak Tower I
- Grand Central Residences
- Makati Executive Tower III

City & Land Developers, Incorporated
- North Residences
- The Pacific Regency

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

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

Plan of Operations

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

Financial Condition (March 31, 2020 vs. December 31, 2019)

The Group's balance sheet as of March 31, 2020 remained solid with total assets of ₱11,110.02 million, slightly lower by 0.02% over the same period last year of ₱11,107.96 million. The increase is substantially attributed to the increase short-term investments, installment contracts receivable, real estate properties for sale, property and equipment and deferred income tax assets. Sale of condominium units of CPI and deferment of receivable collections increased installment contracts receivable. Due to the lockdown in mid-March 2020, monthly amortizations were put on hold in compliance with the Bayanihan to Heal as One Act resulting to the increase in installment contracts receivable by ₱14.72 million. During the first quarter of 2020, the Group also purchased an office equipment amounting to ₱6.79 million. Aside from the foregoing, majority of the funds were used for operations, payment of liabilities and financing its on-going condominium projects, Pioneer Heights I, 101 Xavierville and One Taft Residences, resulting to the increase in real estate properties. Excess funds were shifted from cash and cash equivalents to short-term investments to avail of higher interest rates and to maintain liquidity. The financial position remained stable as cash and cash equivalents and short-term investments stood at ₱1,869.12 million and ₱483.70 million.

On the liabilities side, total liabilities decreased by 5.93% from ₱2,347.46 million as of March 31, 2019 to ₱2,208.21 million as of March 31, 2020. This was primarily due to partial settlement of accounts payable and accrued expenses and notes payable.

Total equity as of March 31, 2020 stood at ₱8,901.81 million from ₱8,760.49 million as of December 31, 2019, slightly higher by 1.61% due to comprehensive income of ₱141.31 million.

As a result of the foregoing, the Group registered a current and acid test ratio of 3.43:1 and 1.81:1, respectively as of the first quarter of 2020, as compared to 3.08:1 and 1.62:1, respectively as of December 31, 2019. Asset-to-liability and debt-to-equity remained stable at 5.03:1 and 0.14:1, respectively as of March 31, 2020 compared to 4.73 and 0.16, respectively as of December 31, 2019.

Financial Condition (2019 vs. 2018)

The Group's balance sheet remained solid with total assets of ₱11.11 billion, 5.17% higher as compared to the 2018 year-end balance of ₱10.56 billion. The increase in assets is attributed to the increase in real estate properties for sale, contract assets, long-term investments and installment contracts receivable. The net increase in installment contracts receivable and contract assets was due to sales from real estate properties. Funds were generated from sales and lease of condominium units and other real estate projects, while other financial sources came from the issuance of commercial papers with interest rates ranging from 1.19% to 3.81% in 2019 and 1.38 % to 5.00% in 2018. Majority of the funds were utilized for operations and to finance the Group's construction of ongoing projects. Moreover, the cash position allowed CDC to declare cash dividends amounting to ₱188.73 million, while the subsidiary, CLDI was able to declare cash dividends amounting to ₱25.58 million. The Group's liquidity position remained stable as cash and cash equivalents and short-term cash investments both stood at ₱1.93 billion and ₱0.40 billion, respectively. Excess funds were placed in both short and long term investments contributing to the increase in financial income.

On the liability side, total liabilities increased by ₱33.67 million or 1.46%, primarily due to higher accounts payable and accrued expenses, income tax payable and retirement benefits liability. The increase was partially offset by the settlement of matured notes and contracts payable amounting to ₱169.50 million and net decrease in contract liabilities by ₱14.37 million and deferred tax liabilities-net by ₱14.63 million.

Total equity stood at ₱8.76 billion as of December 31, 2019, higher by 6.22% from ₱8.25 billion as of December 31, 2018 due to comprehensive income of ₱724.73 million net of cash dividends declared and paid by the Group amounting to ₱217.32 million.

As a result of the foregoing, the Group's liquidity position remained stable with acid-test and current ratio of 1.62:1 and 3.08:1 as of December 31, 2019, as compared to 1.67:1 and 2.80:1 in December 31, 2018, respectively. On the other hand, debt-equity ratio slightly improved to 0.16:1 as of December 31, 2019, as compared to 0.19:1 in December 31, 2018.

Financial Condition (2018 vs. 2017)

The Group's balance sheet remained solid with total assets of ₱10.56 billion, 8.89% higher as compared to the 2017 year-end balance of ₱9.70 billion. Funds were generated from sales and lease of condominium units and other real estate projects, while other financial sources came from the issuance of commercial papers with interest rates ranging from 1.31 % to 5.00%. Majority of the funds were substantially utilized for operations and to finance the Group's construction of Pines Peak Tower II, One Taft Residences and the newly launched condominium projects, Pioneer Heights 1 and 101 Xavierville and the completion of North Residences. The stable financial position allowed the acquisition of two parcels of land increasing the Group's total assets. In addition, in compliance with Philippine Financial Reporting Standard (PFRS) 15, *Revenue from Contracts with Customers*, the Group has reclassified a substantial portion of installment contracts receivable to contract assets, the net effect of which was an increase of ₱241.63 million in the said accounts due to sales and increase in percentage of completion. Moreover, the cash position allowed CDC to distribute cash dividends amounting to ₱118.54 million, while the subsidiary, CLDI distributed cash dividends amounting to ₱19.19 million. The Group's liquidity position remained stable as cash and cash equivalents and short-term cash investments both stood at ₱0.47 billion and ₱1.59 billion, respectively. Excess funds were placed in both short and long term investments contributing to the increase in financial income.

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

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

As a result of the foregoing, the Group's liquidity position remained stable with acid-test and current ratio of 1.67:1 and 2.80:1 as of December 31, 2018, as compared to 1.69:1 and 2.42:1 in December 31, 2017, respectively. On the other hand, debt-equity ratio slightly improved to 0.19:1 as of December 31, 2018, as compared to 0.22:1 in December 31, 2017.

Financial Condition (2017 vs. 2016)

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

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

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

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

Results of Operation (March 31, 2020 vs. March 31, 2019)

Sales of real estate properties reached ₱275.74 million as compared to the previous year's sales of ₱437.91 million. The 37.03% decrease in sales was due to lower sales of Pines Peak Tower II, Grand Central Residences and North Residences. The Group is selling the remaining inventories of these projects and majority of the units were already sold last year. Moreover, due to the COVID-19 pandemic, the lockdown measures in mid-March 2020 partially decreased the Group's sales for the first quarter 2020 as compared to the sales as of March 31, 2019
Total sales of the Group was substantially generated from CDC reaching ₱211.50 million which is equivalent to 76.70% of the Group's sales. The Group has been applying the percentage of completion its revenue recognition and therefore aside from the current year's sales, additional revenues of prior year's sales were also recognized based on percentage of completion. As a result of the foregoing, Pines Peak Tower II contributed ₱72.63 million to the total Group's sales. In addition, sales of Pioneer Heights I almost reached the same level at ₱71.58 million, while 101 Xavierville posted sales of ₱45.77 million. Since the construction of these three projects were in full swing prior to the lockdown in Luzon in mid-March 2020, the percentage of completion as of March 2020 of Pines Peak Tower II, Pioneer Heights I and 101 Xavierville reached 100%, 27.15% and 38.67%, respectively. In addition, the Group also sold the remaining units of Grand Central Residences and Pines Peak Tower I.

Further, the subsidiaries, CLDI and CPI contributed 22.25% and 1.05%, respectively of total sales of real estate properties. Sales of CLDI reached ₱61.35 million as of March 31, 2020 as compared to the same period last year of ₱107.95 million. Sales for the quarter was driven by One Taft Residences and North Residences. The 43.17% decrease in sales was due to lower sales generated from North Residences since this project was already sold at 89.55% as of December 31, 2019. In addition, sales of CLDI was also affected by the lockdown measures implemented in mid-March 2020. One Taft Residences was in full blast construction prior to the lockdown resulting to a percentage of completion of 60.50% from 30.76% in the same period last year.

Other sources of income are financial income, rent income and other income. Financial income which is composed of interest income from sale of real estate properties, cash and cash equivalents, short-term investments, notes receivable and guaranty deposits contributed 24.59% of total revenues. Likewise, rent income grew by 37.25% from ₱33.52 million to ₱46.00 million of the same period last year. Rent income significantly came from the lease operations of CityNet Central, CityNet1 and other properties which were held for lease. Other revenue, on the other hand, were primarily from adjustment of market value of repossessed units, penalties charged to clients, and other miscellaneous income. Revenue contribution of this account decreased by 2.88%, amounting to ₱38.54 million as of March 31, 2020 from ₱39.68 million for the quarter ended March 31, 2019.

On the cost side, cost of real estate sales decreased due to sales, while operating expenses increased due to higher taxes and licenses, professional fees, light, power and water, brokers' commission, repairs and maintenance and membership dues. Financial expenses likewise decreased due to partial settlement of notes payable and lower interest rates. In addition, other expenses decreased due to lower adjustment of prior years' income from forfeited units while decline in revenues and increase in operating expenses decreased provision for income tax.

As a result of the foregoing, the Group ended March 31, 2020 with a net income of ₱142.94 million, lower by 33.13% compared to the same period last year of ₱213.76 million. This translated to annualized earnings per share and return on equity of ₱0.12 and 6.72% as compared to the previous year of ₱0.18 and 10.62%, respectively.

Results of Operation (2019 vs. 2018)

The Group's sale of real estate properties increased by 12.99% as of December 31, 2019 reaching ₱1,652.83 million from the previous year's ₱1,462.77 million. Growth was driven by sales and higher percentage of completion of the projects. Total sales of the Group was substantially generated from CDC, reaching ₱1,122.83 million or 67.93% of the Group's sales. Pines Peak Tower II was 100% completed in May 2019 which was already sold at 83.70% as of December 31, 2019. The Group has been applying the percentage of completion (POC) in sales and revenue recognition and therefore, aside from the current year sales, additional revenue from sales in prior years were also recognized. Consequently, Pines Peak Tower II generated the highest sales revenue amounting to ₱500.33 million followed by the sale of the remaining units of 101 Xavierville, Pioneer Heights 1, Grand Central Residences, One Premier and Pines Peak Tower I, contributing ₱241.20 million, ₱181.61 million, ₱94.36 million, ₱42.84 million and ₱27.74 million, respectively.

Moreover, the subsidiaries, CLDI and CPI recorded 30.37% and 1.70% of total revenue on sales of real estate, respectively. Sales of real estate properties of CLDI reached ₱501.89 million as compared to the same period last year of ₱409.54 million. The increase in sales can be attributed to the sales revenue generated from One Taft Residences since realization of sales was based on POC. Majority of the sales in 2019 was generated from One Taft Residences which contributed ₱331.92 million, while North Residences accounted for ₱159.60 million of total sales. The remaining ₱8.52 million of sales were generated from Grand Emerald Tower.

Other sources of income are financial income, rent income and other income. Financial income which is composed of interest income from installment contracts receivable, contract assets, cash and cash equivalents, short-term and long-term investments, notes receivable and guaranty deposit contributed 21.07% of total revenues and grew by 33.76% due to higher investments and interest rates. Likewise, rental income from lease operations of buildings and properties contributed 5.69% and grew by 9.51% due to additional lease contracts and higher rental rates. Other revenue, on the other hand, pertains to adjustment of market value of repossessed units, penalties charged to clients, gain on sale of shares of stock and other miscellaneous income which contributed 5.22% of total revenues.

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

Altogether, the Group posted a consolidated income of ₱734.14 million in 2019, 16.85% higher than the previous year's level of ₱628.27 million. This translated into an improved earnings per share and return on equity of ₱0.15 and 8.43% as compared to the same period of the previous year of ₱0.13 and 7.67% respectively.

Results of Operation (2018 vs. 2017)

The Group's sale of real estate properties increased by 11.60% as of December 31, 2018 reaching ₱1,462.77 million from the previous year's ₱1,311.71 million. Growth was driven by sales and higher percentage of completion of the projects. Total sales of the Group was substantially generated from CDC, reaching ₱1,015.59 million, or 69.47% of the Group's sales. Construction accomplishment of Pines Peak Tower II steadily progressed from the previous year's percentage of completion of 52.98% to 90.64% in 2018. The Project was already 64.36% sold as of December 31, 2018. The Group has been applying the percentage of completion (POC) in sales and income recognition and therefore, aside from the current year sales, additional revenue from its sales from prior years were also recognized. Consequently, this project generated the highest sales revenue amounting to ₱627.60 million followed by the sale of the remaining units of Grand Central Residences, Pines Peak Tower I and Makati Executive Tower IV, contributing ₱202.67 million, ₱104.50 million and ₱36.99 million, respectively. Sales from Grand Central Residences and Pines Peak Tower I came from the remaining inventory last year. To increase future sales, CDC launched Pioneer Heights I, and 101 Xavierville in 2018. The Group has not realized revenue on sales of these projects under the POC since it has not reached beyond the preliminary stage of completion. In view of this, future sales of CDC is seen to be generated from the sale and construction accomplishment of Pines Peak Tower II and from the newly launched condominium projects.

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

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

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

Altogether, the Group posted a consolidated income of ₱628.27 million in 2018, 13.83% higher than the previous year's level of ₱551.93 million. This translated into an improved annualized earnings per share and return on equity of ₱0.13 and 7.67% as compared to the same period of the previous year of ₱0.11 and 7.20% respectively.

Results of Operation (2017 vs. 2016)

Net income for the year 2017 reached ₱551.93 million, higher by 15.86% as compared to ₱476.37 million last year. The Group follows the percentage of completion method in recognizing revenue hence, realized revenue for projects in the initial stages of completion is lower as compared to projects with higher completion rates. As of December 31, 2017, Pines Peak Tower II reached a completion rate of 52.98% thereby allowing the partial recognition of income for this project as compared to last year's completion rate of 7.50%. CDC contributed 65.12% in total revenue on sales of real estate properties. Pines Peak Tower II contributed ₱261.39 million, while a large portion came from the sales of the remaining units of Grand Central Residences and Pines Peak Tower I, totaling ₱333.14 million and ₱130.06 million, respectively. Percentage of sales contribution to total Group sales of Pines Peak Tower II, Grand Central Residences and Pines Peak Tower I reached 19.89%, 25.42% and 9.92%, respectively. It is to be noted that Pines Peak Tower I inventory level was already less than

10% at the beginning of the year resulting to lower sales of this project in 2017 as compared to the previous year.

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

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

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

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

Key Performance Indicators (2019 vs 2018 vs 2017)

Cityland Development Corporation (Consolidated)	2019	2018	2017
Basic/Diluted earnings per share	₱0.15	₱0.13*	₱0.11*
Return on equity	8.43%	7.67%	7.20%
Solvency ratio	0.34	0.30	0.30
Interest rate coverage ratio	65.49	55.06	84.00
Asset to liability ratio	4.73	4.56	4.93
Asset to equity ratio	1.45	1.47	1.44
Debt to equity ratio	0.16	0.19	0.22
Current ratio	3.08	2.80	2.42
Acid - test ratio	1.62	1.67	1.69

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

City & Land Developers, Incorporated (Subsidiary)	2019	2018	2017
Basic/Diluted earnings per share*	₱0.12	₱0.10*	₱0.10*
Return on equity	8.12%	7.31%	6.79%
Solvency ratio	0.62	0.34	0.49
Interest rate coverage ratio	–	–	21,937.96
Asset to liability ratio	8.60	5.59	8.17
Asset to equity ratio	1.13	1.22	1.14
Debt to equity ratio	–	0.10	0.08
Current ratio	6.82	4.58	6.59
Acid - test ratio	1.61	2.35	4.39

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

Cityplans, Incorporated (Subsidiary)	2019	2018	2017
Earnings per share	₱0.09	₱0.12	₱0.08
Return on equity	3.96%	5.77%	3.90%
Solvency ratio	0.32	0.44	0.35
Asset to liability ratio	6.42	6.44	6.28
Asset to equity ratio	1.22	1.22	1.24
Current ratio	11.75	15.90	14.43
Acid - test ratio	12.11	16.70	15.31

Manner of Calculations:

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

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

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

2. Internal and External Sources of Liquidity

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

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

The estimated development cost of ₱189.89 million as of December 31, 2019 representing the cost to complete the development of real estate projects sold will be sourced through:

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

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

On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. After which, modified ECQ was implemented in Metro Manila until May 31, 2020.

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

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

5. Any Significant Elements of Income or Loss that did not arise from Registrants Continuing Operations

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

6. Any Known Trends or Events or Uncertainties (Direct or Contingent Financial Obligation)

There are no events nor any default or acceleration of an obligation that trigger direct or contingent financial obligation that is material to the Group.

7. Any Known Trends or Events or Uncertainties (Material Off-balance Sheet Transactions, Arrangements, Obligations and Other Relationships)

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

8. Any Seasonal Aspects that had Material Effect on the Financial Condition or Results of Operations

There are no Seasonal Aspects that had Material Effect on the financial conditions or results of operations.

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

Financial Condition (March 31, 2020 vs December 31, 2019)

a. Decrease in Cash and Cash Equivalents was substantially due to shift of funds to longer period investments, payment of cost of operations, development cost of projects, purchase of office equipment and partial settlement of accounts payable and accrued expense.
b. Increase in Short-term Investments was due to sales and collection of receivables and shift of cash and cash equivalents to longer period investments.
c. Net increase in Installment Contract Receivables was due to sale of condominium units held for lease by CPI and increase in past due accounts brought about by the government's implementation of deferment of monthly amortizations.
d. Net decrease in Contract Asset was due to was due to collections received as of March 31, 2020 and lower sales.
e. Net increase in Cost to Obtain Contract was due to recognition of prepaid commission in relation to the sale of ongoing projects.
f. Decrease in Other Receivables was substantially due to lower accrued interest receivable and advances to customers.
g. Increase in Real Estate Properties for Sale was primarily due to additional development costs incurred, capitalized borrowing costs and forfeitures of real estate properties.
h. Decrease in Investments in Trust Fund was due to termination and maturity of plans.
i. Increase in Real Estate Properties Held for Future Development was due to additional costs incurred.
j. Decrease in Investment Properties was due to depreciation recognized on the buildings for lease.
k. Increase in Property and Equipment was due to recognition of right-of-use assets as a result of long-term lease contracts entered into by the Group and purchase of office equipment.

l. Increase in Deferred Income Tax Assets was due to increase in realized gain on sale of real estate transactions and accrued expenses of CLDI.
m. Net decrease in Other Assets was due to utilization of input VAT and prepaid asset.
n. Net decrease in Accounts Payable and Accrued Expenses was substantially due to partial settlement of trade payables, refund of customers' deposit and payment of accrued development cost and sick leave and withholding tax.
o. Increase in Contract Liabilities was due to higher actual collections as compared to collections based on the percentage of completion of ongoing project.
p. Decrease in Notes and Contracts Payable was due to partial settlement of matured notes payable.
q. Increase in Income Tax Payable was due to additional income tax payable for the first quarter 2020.
r. Decrease in Pre-need and Other Reserves was due to was due to maturities and termination of pension plan.
s. Decrease in Deferred Income Tax Liabilities - net was primarily due higher deferred income tax assets from unearned rent revenue and higher capitalized borrowing costs.
t. Increase in Retained Earnings was due to net income recognized as of March 31, 2020.
u. Decrease in Unrealized Fair Value Changes on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) was due to decrease in market value of financial assets at FVOCI.
v. Increase in Non-Controlling Interest was due to net income of subsidiaries.

Financial Condition (2019 vs. 2018)

a. Increase in Cash and Cash Equivalents was substantially due to collections from sales and lease of real estate properties, collection of receivables and contract assets and shift of funds to shorter period investments.
b. Net decrease in short-term and long-term investments was substantially due to shift of funds to shorter period placements, partial payment of notes and contracts payable, payment of cash dividends, payment of cost of operations and development of projects.
c. Net increase in Installment Contract Receivables was due to sale of condominium units held for lease by CPI.
d. Net increase in Contract Asset was due to higher sales and increase in percentage of completion of all on-going projects.
e. Net increase in Cost to Obtain Contract was due to recognition of prepaid commission in relation to the sale of ongoing projects.
f. Decrease in Notes Receivable was due to its maturity.
g. Decrease in Other Receivables was substantially due to lower accrued interest, collection of advances to customers and advances to condominium corporations.
h. Increase in Real Estate Properties for Sale was primarily due to additional development cost incurred, higher capitalized borrowing costs and transfer of properties from held for future development and investment properties.
i. Net increase in Investments in Trust Fund was due to additional contribution to the fund.
j. Decrease in Real Estate Properties Held for Future Development was due to transfer to Real Estate Properties for Sale and settlement of contracts payable through cost adjustment of the property acquired.
k. Decrease in Investment Properties was due to depreciation recognized on the buildings for lease and transfer of properties to real estate properties for sale.
l. Increase in Property and Equipment was due to recognition of right-of-use asset as an effect of adoption of PFRS 16, *Leases.*
m. Decrease in Retirement Plan assets was due to decrease in fair value of plan assets.
n. Decrease in Deferred Income Tax Assets was due to decrease of realized gain on sale of real estate transactions and unearned revenue of CLDI.
o. Decrease in Other Assets was due to utilization of input VAT, decrease in market value and sale of shares of stock, and amortization of prepaid real estate tax.
p. Increase in Accounts Payable and Accrued Expenses was substantially due to higher customers' deposit, accrued development cost, directors' fee and sick leave, deferred rent income, dividends payable, due to related parties and recognition of lease liability in compliance with PFRS 16.
q. Net decrease in Contract Liabilities was due to was due to recognition of accounting income from projects that reached beyond its preliminary stage of completion.

r. Decrease in Notes and Contracts Payable was due to partial settlement of matured notes payable and cost adjustment resulting to the full settlement of contracts payable of CLDI.
s. Increase in Income Tax Payable was due to higher taxable income and expiration of Income Tax Holiday (ITH) entitlement of Pines Peak Tower II.
t. Decrease in Pre-need and Other Reserves was due to was due to maturities and termination of pension plan.
u. Increase in Retirement Benefits Liabilities was due to decrease in fair value of plan assets.
v. Decrease in Deferred Income Tax Liabilities - net was primarily due reversal of deferred income tax assets as a result of recognition of sales of projects in which the percentage completion were already beyond the preliminary stage of completion.
w. Increase in Capital Stock was due to issuance of 6.5% and 5.0% stock dividends.
x. Decrease in Retained Earnings was due to declaration of cash dividends.
y. Increase in Unrealized Fair Value Changes on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) was due to increase in market value of financial assets at FVOCI.
z. Decrease in Accumulated Re-measurement of Defined Benefit Plans was due to decrease in value of plan assets.
aa. Increase in Non-Controlling Interest was due to net income of subsidiaries.

Financial Condition (2018 vs. 2017)

a. Decrease in Cash and Cash Equivalents was substantially due to payment of operating and development cost, accounts payable and accrued expenses, notes payable, placement of funds to secure cash bond, payment of cash dividends, acquisition of new property and shift of funds to short-term investments.
b. Increase in Short-term Investments was substantially due to sales and shift of funds from cash and cash equivalents.
c. Decrease in Installment Contract Receivables was due reclassification of account to contract asset due to the adoption of PFRS 15 and increase in sales.
d. Increase in Contract Asset was due to reclassification from installment contracts receivable due to the adoption of PFRS 15.
e. Increase in Cost to Obtain Contract was due to recognition of performance obligation as a result of adoption of PFRS 15.
f. Increase in Notes Receivable was due to additional long-term placements.
g. Increase in Other Receivables was substantially due to rent receivable and accrued interest from investments.
h. Increase in Real Estate Properties for Sale was due to transfers from real estate properties for future development and investment properties, additional construction/development costs incurred. In 2018, CDC launched 101 Xavierville and Pioneer Heights 1 contributing to the reclassification of land cost as part of real estate properties for sale.
i. Increase in Investments in Trust Fund was due to additional trust fund contributions.
j. Decrease in Prepaid Income Tax was due to application to income tax payable.
k. Decrease in Real Estate Properties Held for Future Development was due to the transfer to real estate properties for sale.
l. Decrease in Investment Properties was due to depreciation and transfer to property and equipment and to real estate properties for future development.
m. Increase in Property and Equipment was due to completion of building used in the operation of CDC.
n. Increase in Retirement Plan assets was due to re-measurement gain recognized in 2018.
o. Decrease in Deferred Income Tax Assets - net was due to the effect of the adoption of the new standard PFRS 15 and adjustment in contract asset of CLDI.
p. Increase in Other Assets was due to the guaranty deposit made for the Group's ongoing projects.
q. Decrease in Accounts Payable and Accrued Expenses was substantially due to payment of trade payables and estimated development cost.
r. Increase in Contract Liabilities was due to reclassification of deposit of Pines Peak Tower II and One Taft Residences as a result of adoption of PFRS 15.
s. Decrease in Notes and Contracts Payable was due to settlement of matured notes payable.

t. Increase in Income Tax Payable was due to higher taxable income and expiration of income tax holiday entitlement of North Residences.
u. Increase in Pre-need and Other Reserves was due to decrease in return on investment used in valuation of pension plans.
v. Decrease in Retirement Benefits Liabilities was due to increase in fair value of plan assets.
w. Decrease in Deferred Income Tax Liabilities - net was primarily due to deferred income tax assets as a result of reversal of sales of projects in which the percentage completion has not reached beyond the preliminary stage of completion.
x. Increase in Retained Earnings was due to net income recognized in 2018.
y. Increase in Unrealized fair value changes on financial assets at fair value through other comprehensive income (FVOCI) was due to the effect of the adoption of the new Philippine Financial Reporting Standard (PFRS) 9, *Financial Instrument.*
z. Decrease in Net Changes in Fair Value of Investments was due to the effect of the adoption of the new standard PFRS 9.
aa. Increase in Accumulated re-measurement of defined benefit plans was due to increase in value of plan assets.
bb. Increase in Non-Controlling Interest was due to net income of subsidiaries.

Financial Condition (2017 vs. 2016)

a. Decrease in Cash and Cash Equivalents was substantially due to shift of investments to short and long-term investments, partial payment of notes and accounts payable and accrued expenses, income tax and development costs of projects and payment of cash dividends.
b. Increase in Short-term Cash Investments was substantially due to sales, collections of receivables and shift to excess cash and cash equivalents to longer period placements.
c. Net decrease in Installment Contract Receivable was due to collections.
d. Increase in Notes Receivable was due to placements made by the Company in different financial institutions.
e. Net decrease in Other Receivables was substantially due to collections of advances paid for real estate taxes and advances paid to contractors.
f. Decrease in Real Estate Properties for Sale was due to sales of real estate properties and partial reclassification of account to investment properties.
g. Decrease in Investments in Trust Funds was due payment of matured and terminated pension plans.
h. Increase in Prepaid Income Tax was due to higher creditable withholding tax charged to income tax payable.
i. Increase in Real Estate Properties for Future Development was due to additional cost incurred and properties transferred from Investment Properties.
j. Increase in Investment Properties was due to additional development costs incurred for the construction of the building for lease.
k. Increase in Property and Equipment was due to acquisition of office equipment.
l. Increase in Retirement Plan Assets was due to increase in contributions in 2017 and increase in investments.
m. Increase in Deferred Tax Assets - net was due to increased realized gain on sale of real estate transactions of CLDI and higher accrued expenses of the Group.
n. Increase in Other Assets - current was due to prepaid real estate taxes while decrease in Other Assets - noncurrent was primarily due to refund of Meralco meter deposits.
o. Decrease in Accounts Payable and Accrued Expenses was primarily due to reversal of deposits of Pines Peak Tower II and One Taft Residences, lower deferred rent and partial payment development costs, withholding taxes and other trade payables.
p. Decrease in Notes Payable was due to partial settlement of notes payable.
q. Decrease in Income Tax Payable was due to payment and lower taxable income.
r. Decrease in Pre-need and Other Reserves was due to maturities and termination of pension plans.
s. Decrease in Deferred Tax Liabilities- net was primarily due to decrease in deemed cost adjustment and unrealized gain on real estate transactions of CDC.
t. Increase in Capital Stock was due to issuance of 5% stock dividends.
u. Increase in Retained Earnings was due to net income recognized as of December 31, 2017, net of cash and stock dividends.
v. Decrease in Net Changes in Fair Value of Investments was due to decrease in market value of available-for-sale financial assets.

w. Increase in Accumulated Re-measurement on Defined Benefit Plan was due to increase in value of plan assets.
x. Increase in Non-Controlling Interests was due to net income of subsidiaries.

<u>Results of Operation (March 31, 2020 vs March 31, 2019)</u>

a. Decrease in Sales of Real Estate Properties was primarily due to lower sales generated from 101 Xavierville, Pines Peak Tower I and II, Grand Central Residences and North Residences and the disruptions brought about by COVID-19 pandemic.
b. Decrease in Financial Income was due to lower interest income from installment contracts receivables, contract assets, cash equivalents, short-term and long-term investments and notes receivable.
c. Increase in Rental Income was due to rentals earned from the buildings for lease, CityNet 1 and CityNet Central, and additional long-term lease contracts entered by the Group.
d. Decrease in Other Income was due to the decrease in fair market value of repossessed real estate properties for sale.
e. Decrease in Cost of Real Estate Sales was due to decrease in sales as this moves in tandem with the sales of real estate properties.
f. Increase in Operating Expenses was due to increase in taxes and licenses, depreciation, professional fees, light, power and water, brokers' commission, repairs and maintenance and membership dues.
g. Decrease in Financial Expenses was substantially due to lower interest rates of commercial papers and partial settlement of notes payable.
h. Decrease in Other Expenses was due to lower adjustment of prior years' income from forfeited units.
i. Decrease in Provision for Income Tax was due to lower deferred income tax and lower provision for final tax on interest income.
j. Decrease in Net Income was due to decline in revenues and increase in operating expense.

<u>Results of Operations (2019 vs. 2018)</u>

a. Increase in Sales of Real Estate Properties was primarily due to higher sales generated from Pioneer Heights 1, 101 Xavierville, One Premier and One Taft Residences and increase of percentage of completion of all ongoing projects.
b. Increase in Financial Income was due to higher interest income from installment contracts receivables, contract assets, cash equivalents, investments and guaranty deposit.
c. Increase in Rental Income was due to rentals earned from the buildings for lease, CityNet 1 and CityNet Cenral, and additional long-term lease contracts entered by the Group.
d. Increase in Other Income was due to the increase in fair market value of repossessed real estate properties for sale and gain on sale of shares of stock.
e. Increase in Cost of Real Estate Sales was due to higher sales and percentage of completion of projects.
f. Increase in Operating Expenses was due to higher sales and increase in personnel expenses, taxes and licenses, professional fees, light, power and water, insurance expense, repairs and maintenance, brokers' commission, and donations.
g. Increase in Financial Expenses was due to higher interest rates and recognition of interest expense on lease liability as part of adoption of PFRS 16.
h. Decrease in Other Expenses was due to lower adjustment of prior years' income from forfeited units.
i. Increase in Provision for Income Tax was due to higher taxable income and expiration of ITH entitlement of One Taft Residences and Pines Peak Tower II.
j. Increase in Net Income was primarily due to higher revenues and lower other expenses.

<u>Results of Operations (2018 vs. 2017)</u>

a. Increase in Sales of Real Estate Properties was primarily due to higher sales generated from Pines Peak Tower II and North Residences and construction accomplishment of Pines Peak Tower II, North Residences and One Taft Residences.
b. Increase in Financial Income was due to higher interest income from installment contracts receivables and cash investments, contract assets, notes receivables and guaranty deposit.
c. Increase in Rental Income was due to rentals earned from the buildings for lease, CityNet1 and CityNet Central, and additional long-term lease contracts entered by the Group.

d. Decrease in Other Income was due to the decrease in reversal of realized gross profit from prior year’s sales arising from forfeitures.
e. Increase in Cost of Real Estate Sales was due to higher sales of real estate properties.
f. Increase in Operating Expenses was due to higher sales and increase in personnel expenses, depreciation, professional fees, taxes and licenses, outside services, repairs and maintenance, rent expense, brokers’ commission, insurance expense, power, light and water, and other operating expenses.
g. Increase in Financial Expenses was due to higher interest rates.
h. Increase in Other Expenses was due to higher income from prior years’ forfeited units.
i. Decrease in Provision for Income Tax was due to lower deferred income tax from the decrease in unrealized gain on real estate transactions.
j. Increase in Net Income was primarily due to higher revenues and lower provision for income tax

Results of Operations (2017 vs. 2016)

a. Decrease in Sale of Real Estate was primarily due to lower sales recognized from Pines Peak Tower I, since this was almost fully sold last year. Furthermore, revenues are recognized under the percentage of completion under the accounting method, and One Taft Residences is still in its initial stage of completion.
b. Increase in Financial Income was due to higher interest income from sale of real estate properties and long-term cash investments.
c. Increase in Rent Income was due to rentals earned from the new building for lease, CityNet Central, and additional lease contracts entered by the Group.
d. Increase in Other Income was due to the higher management fees charged by the Group and increase in value of repossessed real estate properties for sale.
e. Decrease in Cost of Real Estate Sales was primarily due to lower sales.
f. Decrease in Operating Expenses was due to decrease in personnel expenses, decrease in taxes and licenses, professional fees, outside services, membership dues, advertising and promotions, brokers’ commission, repairs and maintenance, rent expense, donations, postage, telephone and telegraph, stationery and office supplies and other miscellaneous expenses.
g. Increase in Financial Expenses was primarily due to increase in interest expense on commercial papers.
h. Decrease in Other Expenses was due to decrease in forfeiture/ cancellation of prior years’ sales.
i. Decrease in Provision for Income Tax was due to lower taxable income.
j. Increase in Net Income was due to lower expenses and provision for income tax.

Information on Independent Accountant

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

	External Audit Fees	
	2019	**2018**
Audit and audit-related fees (Parent Company)	**₱1,065,000**	**₱1,025,000**
Tax fees	–	–
All other fees	–	–
Total	**₱1,065,000**	**₱1,025,000**

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

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

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

During the Annual Stockholders' Meeting of the Company, the appointment of the external auditors and approval of the audited financial statements are being presented for ratification by the stockholders.

DIVIDENDS AND MARKET PRICE OF SHARES OF STOCK

1. Dividends Policy

Dividends declared by the Group on its shares of stock are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow, and financial condition of the Group and other factors.

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

2. Dividends

	2019	2018	2017
Cash	₱0.0450	₱0.0301	₱0.0360
Stock	5%	6.5%	5%

Cash dividends on common shares were deducted from retained earnings upon declaration by the BOD. All cash dividends due during the year were paid.

On March 21, 2019, the SEC resolved to authorize the issuance of 6.5% stock dividends to cover the dividends declared by its Board of Directors on May 2, 2018 and readopted on September 5, 2018 and ratified by the stockholders representing two-thirds (2/3) of outstanding capital stocks on June 5, 2018 and readopted on October 5, 2018.
In the special meeting held on April 25, 2019, the Board of Directors approved the declaration of 5% stock dividends to stockholders of record as of record as of July 5, 2019 and was distributed on July 31, 2019. This was approved and ratified by the stockholders during the Annual Stockholders' Meeting last June 6, 2019. The record date of the said meeting was on May 6, 2019.

Stock dividends on common shares are measured based on the total par value of declared stock dividend. Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the stockholders of the Parent Company. Unissued stock dividends are recorded as stock dividends distributable and credited to capital stock upon issuance. Dividends for the year that are declared after the end of the reporting period but before the approval for issuance of financial statements are dealt with as an event after the reporting period.

3. Stock Prices

The stock prices of CDC are as follows:

		Unclassified Common Shares	
		High	Low
2020	First Quarter	0.87	0.65
2019	First Quarter	1.05	0.85
	Second Quarter	1.01	0.85
	Third Quarter	1.05	0.82
	Fourth Quarter	0.87	0.80
2018	First Quarter	1.19	0.99
	Second Quarter	1.07	0.90
	Third Quarter	1.10	0.85
	Fourth Quarter	0.93	0.83

Note: Prices in 2019 took into account the 6.5% and 5.0% stock dividends declared to the stockholders of record as of April 12, 2019 and July 5, 2019, respectively.

4. Trading Market

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

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

5. Price Information on the Latest Practicable Date

The Parent Company's shares were last traded on July 6, 2020 at ₱0.78 per share.

6. Public Ownership

Total number of shares owned by the public as of March 31, 2020 is 1,359,964,682 shares which represent 30.88% of the total 4,405,677,031 number of listed common shares.

7. Holders

a. The number of shareholders of record as of June 30, 2020 was 652.

b. The Top 20 Stockholders of record as of June 30, 2020 are as follows:

		No. of Shares Held	Percentage
1.	Cityland, Inc.	2,244,843,287	50.98 %
2.	PCD Nominee Corporation – Filipino	907,123,227	20.60
3.	Liuson, Grace C.	210,831,166	4.79
4.	Roxas, Stephen C.	140,281,310	3.19
5.	Liuson, Andrew I. (Dr.)	134,787,899	3.06
6.	Gohoc, Josef C.	97,339,267	2.21
7.	Roxas, Helen C.	66,939,926	1.52
8.	PCD Nominee Corporation – Foreign	62,753,160	1.43
9.	Recto, Ester	34,388,945	0.78
10.	Gohoc, Johann C.	29,976,381	0.68
11.	Roxas, Stephen C. or Roxas, Jefferson C.	24,132,598	0.55
12.	Liuson, Grace C. or Gohoc, Josua C.	24,132,598	0.55
13.	Jefcon, Inc.	20,422,954	0.46
14.	Chiong, Daniel Yen	20,082,016	0.46
15.	Tan, Joyce Liuson or Tan, Philip Sim	19,671,610	0.45
16.	Chang, Rita D.	19,048,651	0.43
17.	Obadiah, Inc.	18,809,398	0.43
18.	Shao Chien Yin &/or Shao Christine L.	16,088,389	0.37
19.	Chiong, Elizabeth	13,406,992	0.30
20.	Recto, Ester	13,406,992	0.30

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

a. There was no sale of unregistered securities.

b. The total number of shares issued and outstanding of the Company is 4,403,739,084 for 2019 and 3,938,063,701 for 2018 excluding 1,937,947 treasury common shares.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

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

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

   We have implemented the periodic self-rating system.

2. Any Deviation from the Registrant's Manual of Corporate Governance. (including a disclosure of the name and position of the persons involved and sanctions imposed on said individual)

   There were no major deviations that require sanctions.

3. Any plan to improve corporate governance of the company

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

Pursuant to SEC Memorandum Circular No. 5, Series of 2013, the Corporate Governance Section of the Annual Report has been deleted and to be submitted separately to Securities and Exchange Commission.

ACKNOWLEDGEMENT

In behalf of the Board of Directors, Consultants and Management of Cityland Development Corporation, I would like to express our appreciation to all our stockholders for your trust and confidence.

I also acknowledge the time and expertise shared to us by our consultants and directors and the commitment and hard work of our managers and staff in the attainment of our corporate goals.

With God's grace, we look forward to a better year in 2020 for Cityland and the real estate industry.

Upon written request, the Company undertakes to provide without charge a copy of the Annual Report on SEC Form 17-A. Copies can be picked up from Ms. Michelle Marcelino, 3/F Cityland Condominium 10 Tower II, 154 H.V. Dela Costa Street, Makati City, Tel. 8-893-6060 local 409.

C O V E R   S H E E T

SEC Registration Number

7	7	8	2	3						

C O M P A N Y   N A M E

CITYLAND DEVELOPMENT CORPORATION

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
	MSRD	Not Applicable

Certification of Independent Director of Mr. Peter S. Dee

C O M P A N Y   I N F O R M A T I O N

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
652 (as of June 30, 2020)	**1st Tuesday of June**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
RUDY GO	**cdc_rg@cityland.net**	**8-893-6060**	**N/A**

CONTACT PERSON'S ADDRESS

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

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

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, PETER S. DEE, Filipino, of legal age and resident of 7 Banaba Circle, South Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Cityland Development Corporation** and have been its independent director since October 1979;

2. I am affiliated with the following companies/organizations:

COMPANY	POSITION	PERIOD OF SERVICE
Alpolac, Inc.	Director	1994 to present
China Banking Corporation	Director	1977 to present
CBC Properties & Computer Center, Inc.	Director / President	1984 to present
Cityland, Inc.	Independent Director Chairman – Corporate Governance Committee Chairman – Audit & Risk Committee	12/2006 to present 07/27/18 to present 01/2007 to present
Cityplans, Incorporated	Independent Director Chairman – Compensation Committee Chairman – Audit Committee Member – Nomination and Election Committee	1991 to present 2002 to present
City & Land Developers, Incorporated	Independent Director Chairman – Audit & Risk Committee	11/22/04 to present
GDSK Development Corporation	Director	1990 to present
Hydee Management & Resources Corporation	Director	1991 to present
Kemwerke, Inc.	Director	1994 to present
Makati Curbs Holdings Corporation	Director	2012 to present
Great Expectation Holdings, Inc.	Director / Chairman / President	10/2012 to present
Commonwealth Foods, Inc.	Director	May 2013 to present
The Big D Holdings Corporation	Director / Chairman / President	04/2013 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Cityland Development Corporation**, as provided for in Section 38 of the Securities Regulation Code, and its Implementing Rules and Regulations and other SEC issuance;

4. I am not related to any director/officer/substantial shareholder of **Cityland Development Corporation** other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code;

Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
NONE	NONE	NONE

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

Offense - Charged/Investigated	Tribunal or Agency Involved	Status
NONE	NONE	NONE

6. I am not an independent director in any of government service/affiliated with a government agency or GOCC;

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations Code of Corporate Governance and other SEC issuances; and

8. I shall inform the Corporate Secretary of **Cityland Development Corporation** of any changes in the abovementioned information within five days from its occurrence.

Done this day of JUL 08 2020 at MAKATI CITY.

Peter S. Dee
Affiant

SUBSCRIBED AND SWORN to before me this JUL 08 2020 at MAKATI CITY, affiant personally appeared before me and exhibited to me his SSS ID with no. 03-1183011-8 and other competent evidence of identification.

Doc no. 247;
Page no. 51;
Book no. VI;
Series of 2020.

ATTY. EMMA G. JULARBAL
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
APPOINTMENT NO.: M-85
IBP ROLL NO.: 33152
IBP NO.: 06547/Lifetime/PPLM
PTR No.: 8117586/01-02-2020/Makati
156 H.V. Dela Costa St., Makati City

C O V E R   S H E E T

SEC Registration Number

7	7	8	2	3

C O M P A N Y   N A M E

CITYLAND DEVELOPMENT CORPORATION

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
	MSRD	Not Applicable

Certification of Independent Director of Mr.George Edwin SyCip

C O M P A N Y   I N F O R M A T I O N

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
652 (as of June 30, 2020)	1st Tuesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
RUDY GO	cdc_rg@cityland.net	8-893-6060	N/A

CONTACT PERSON'S ADDRESS

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

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

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **George Edwin SyCip**, American, of legal age and with Philippine residence at 60 Cambridge Circle, North Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Cityland Development Corporation.** I have been an independent director of this entity since December 13, 2017.

2. I am affiliated with the following companies/organizations:

COMPANY	POSITION	PERIOD OF SERVICE
Halanna Management Corp.	President	December 1987 to present
Bank of the Orient	Director	May 1993 to present
Asian Alliance Holdings and Development Corp.	Director	November 1995 to present
FMF Development Corporation	Director	July 1996 to present
Paxys, Inc.	Director	October 2004 to present
Premiere Horizon Alliance Corporation	Director	February 2018 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Cityland Development Corporation**, as provided for in Section 38 of the Securities Regulation Code, and its Implementing Rules and Regulations and other Securities and Exchange Commission issuances.

4. I am related to the following director/officer/substantial shareholder of **Cityland Development Corporation** other than the relationship provided under Rule 38.2.3 of the 2015 Implementing Rules and Regulations of the Securities Regulation Code.

Name of Director / Officer/ Substantial Shareholder	Company	Nature of Relationship
NONE	**NONE**	**NONE**

5. To the best of my knowledge, I am the subject of the following criminal or administrative investigations or proceedings, all of which arise from what is essentially an intra-corporate dispute relating to Alliance Select Foods International, Inc., where I used to serve as a Director.

Offense - Charged/Investigated	Tribunal or Agency Involved	Status
Alleged violation of Sections 74 & 75 in relation to Section 144 of the Corporation Code (or alleged violation of the right to inspect) – Preliminary Investigation	Office the Secretary – Department of Justice (OSEC-PR-DTF-2-010916-001; NPS Docket Nos. XVI-INV-15B-00033 to 00034, titled *Harvest All Investment Limited, et al. v. Annsley B. Bangkas, et al./Harvest All Investment Limited, et al. v. George SyCip, et al.*)	The Department of Justice ("**DOJ**") reversed the dismissal of the cases by the DOJ Prosecution Staff even though there was a finding that the directors, including myself, had not issued a resolution that expressly denied the request for inspection. My motion for reconsideration of the DOJ *Resolution* is pending.
Alleged violation of Sections 74 & 75 in relation to Section 144 of the Corporation Code (or alleged violation of the right to inspect) – Filed in Court	Metropolitan Trial Court of Pasig, Branch 71 (Criminal Case Nos. M-PSG-18-00148-CR to 00149-CR, titled *People of the Philippines v. Annsley B. Bangkas, et al.*)	This is an offshoot of the case above (*i.e.,* NPS Docket Nos. XVI-INV-15B-00033 to 00034). The case has been set for arraignment on March 18, 2020, at 8:30 a.m., although the court's order determining probable cause against me and the other accused is the subject of a petition for *certiorari* pending before the Regional Trial Court of Pasig.

Alleged violation of Sections 74 & 75 in relation to Section 144 of the Corporation Code (or alleged violation of the right to inspect) – Preliminary Investigation	Department of Justice – Office of the Secretary of Justice (NPS Docket No. XVI-INV-15B-00053, titled *Hedy S.C. Yap-Chua v. Jonathan Y. Dee, et al.*)	The Office of the Prosecutor General of the DOJ, through a *Review Resolution* dated March 20, 2018 ("**March 20 Resolution**") ruled in favor of the complainant even though the board of directors, including myself, granted the inspection request, subject to reasonable conditions. My petition for review as well as the petitions of some of my co-respondents filed in the Office of the Secretary of Justice to challenge the March 20 Resolution are pending.
Alleged violation of Sections 74 & 75 in relation to Section 144 of the Corporation Code (or alleged violation of the right to inspect) – Filed in Court	Metropolitan Trial Court of Pasig, Branch 70 (Criminal Case Nos. M-PSG-18-00075-CR to 00076-CR, titled *People of the Philippines v. Jonathan Dee, et al.*)	This is an offshoot of the case above (*i.e.*, NPS Docket No. XVI-INV-15B-00053). The prosecutor filed the *Information* in court notwithstanding the pendency of the petitions for review described in the immediately preceding paragraph. The court quashed its own warrants of arrest because of the pendency of those petitions. The prosecution filed an *Amended Information*, which is the subject of motions to quash filed by my co-accused due to the court's lack of subject matter jurisdiction; these motions to quash are pending.
Alleged violation of Presidential Decree No. 1689 in relation to Article 315(2)[a] of the Revised Penal Code (syndicated *estafa*) and Article 171(1) of the Revised Penal Code (falsification of public document) – Preliminary Investigation	Office the Secretary – Department of Justice (NPS Docket Nos. XV-07-INV-16B-01028 & XV-07-INV-16D-01843, titled *Victory Fund Limited, et al. v. Jonathan Y. Dee, et al./Jonathan Y. Dee, et al. v. Hedy S.C. Yap-Chua*)	The Office of the City Prosecutor – Manila dismissed both complaints. The complainants' appeal to the DOJ was also denied. Through a *Resolution* dated March 27, 2018 ("**March 27 Resolution**"), however, the DOJ partially granted the complainants' motion for reconsideration and found probable cause for simple *estafa* against me and some of my co-respondents; the DOJ affirmed its ruling dismissing the syndicated *estafa* and falsification of public document charges. Several respondents, including myself, have filed motions for reconsideration of the March 27 Resolution, all of which are pending.

Alleged violation of Article 315(2)[a] of the Revised Penal Code (*estafa*) – Filed in Court	Regional Trial Court of Makati, Branch 143 (Criminal Case No. R-MKT-19-01308, titled *People of the Philippines v. Jonathan Dee, et al.*)	This is an offshoot of the case above (*i.e.,* NPS Docket Nos. XV-07-INV-16B-01028 & XV-07-INV-16D-01843). I was informed that the *Information* for this case was filed in the Regional Trial Court of Makati, Branch 57 after the DOJ, in its March 27 Resolution, found probable cause to charge me and some of my co-respondents with simple *estafa.* My representative was not allowed to review the record, although I received unconfirmed reports that the case was transferred to Branch 143 on March 13, 2019, and that it has proceeded to trial.

6. I am not part of the government service, and I am not affiliated with any government agency or government-owned and -controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of **Cityland Development Corporation** of any changes in the abovementioned information within five days from its occurrence.

Done this day of March 10, 2020 at San Francisco.

George Edwin SyCip
Affiant

SUBSCRIBED AND SWORN to before me this ________________ at ________________, affiant personally appeared before me and exhibited to me his Passport No. 506254556, issued on 07 January 2015 by the US Department of State, U.S.A.

Doc. no. ______;
Page no. ______;
Book no. ______;
Series of 2020.

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Francisco)

Subscribed and sworn to (or affirmed) before me on **March 10, 2020** by *****George Edwin Sycip*****, proved to me on the basis of satisfactory evidence to be the person(s) appeared before me.

ALEXANDRA E. LIOANAG
Notary Public - California
San Francisco County
Commission # 2303806
My Comm. Expires Sep 16, 2023

Signature

CONSULATE GENERAL OF THE REPUBLIC OF THE PHILIPPINES
SAN FRANCISCO

ACKNOWLEDGEMENT

Before me, **DOMINIC XAVIER M. IMPERIAL,** *Consul* of the Republic of the Philippines for Northern California, Alaska, Colorado, Idaho, Montana, Northern Nevada, Oregon, Utah, Washington and Wyoming, duly commissioned and qualified, personally appeared on 12 March 2020:

GEORGE EDWIN SYCIP

to me known and known to me to be the same person/s who executed the attached instrument, and being informed of its contents, acknowledged that the same is of his/her/their own free will and deed.

This Consulate General assumes no responsibility for the contents of said document.

IN WITNESS WHEREOF, I have set my hand and affixed the seal of the Consulate General on March 12, 2020.

PHILIPPINE CONSULATE GENERAL SAN FRANCISCO

DOMINIC XAVIER M. IMPERIAL
Consul

Annexed document is a/an **CERTIFICATION OF INDEPENDENT DIRECTOR**

Fee Paid	:	$25.00
Service No.	:	58554
O.R. No.	:	2779
Doc. No.	:	3347
Page No.	:	3
Book No.	:	III
Series of 2020		

This Certificate is not valid if altered in any way.
The validity of this certification is for five (5) years, unless specified by the attached document.

447 Sutter Street, 6th Floor, San Francisco, CA, 94108, USA
Tel. No. 1-415-433-6666Fax No. 1-415-421-2641info@philippinessanfrancisco.org
www.philippinessanfrancisco.org

CITYLAND e-MAIL

FMSD Cityland <fmsd1@cityland.net>

Your BIR AFS eSubmission uploads were received

1 message

eafs@bir.gov.ph <eafs@bir.gov.ph> Fri, Jun 26, 2020 at 1:01 PM
To: FMSD1@cityland.net
Cc: FMSD1@cityland.net

Hi CITYLANDDC,

Valid files

- EAFS000527103OTH2019-01.pdf
- EAFS000527103OTH2019-02.pdf
- EAFS000527103OTH2019-03.pdf
- EAFS000527103ITR2019.pdf
- EAFS000527103AFS2019.pdf

Invalid file

- <None>

Transaction Code: **AFS-2019-4TN2M1R306E7H9KFHQN4RXXQZ04XNW2SWT**
Submission Date/Time: **Jun 26, 2020 01:01 PM**
Company TIN: **000-527-103**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

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

This is a system-generated e-mail. Please do not reply.

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

7	7	8	2	3						

C O M P A N Y   N A M E

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

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

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

C O M P A N Y   I N F O R M A T I O N

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

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

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
RUDY GO	cdc_rg@cityland.net	8-893-6060	N/A

CONTACT PERSON'S ADDRESS

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

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

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

CITYLAND

CITYLAND DEVELOPMENT CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of **Cityland Development Corporation** (the Company) is responsible for the preparation and fair presentation of the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019 and notes to the consolidated financial statements, including a summary of significant accounting policies and schedules attached therein, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

DR. ANDREW I. LIUSON
Chairman of the Board

JOSEF C. GOHOC
President / Chief Executive Officer

RUDY GO
Senior Vice President / Chief Financial Officer

Signed this 10th day of June 2020.

SUBSCRIBED AND SWORN to before me this day of JUN 2 3 2020 affiant(s) exhibiting to me their Social Security System Numbers or other competent evidence of identification, as follows:

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

Doc No. 176
Page No. 37
Book No. VI
Series of 2020.

ATTY. EMMA G. JULARBAL
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
APPOINTMENT NO. M-85
IBP ROLL NO. 33152
IBP NO. 06547/Lifetime/PPLM
PTR No. 8117586/01-02-2020/Makati
156 H.V. Dela Costa St., Makati City

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

Tel: (632) 8 891 0307
Fax: (632) 8 819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Cityland Development Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the 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 matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Real Estate Revenue Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the input 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 input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

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 the contract and recognizes the related commission payable. The Group uses the percentage of completion (POC) method in amortizing sales commission consistent with the Group's revenue recognition policy.

The disclosures related to real estate revenue are included in Notes 2 and 3 to the consolidated financial statements.

Audit Response

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

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

For the application of the input method in determining real estate revenue, we obtained an understanding of the Group's processes for cost accumulation and determining the POC, and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers and assessed the project engineers' competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of POC reports showing the completion of the major activities of project construction.

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

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

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

June 10, 2020

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱1,933,874,231**	₱470,311,423
Short-term investments (Note 4)	**397,950,000**	1,590,100,000
Current portion of:		
Installment contracts receivable (Note 6)	**7,391,301**	10,964,651
Contract assets (Note 6)	**315,526,194**	481,139,602
Cost to obtain contract (Note 6)	**12,289,141**	13,302,307
Notes receivables (Note 7)	**200,000,000**	321,500,000
Other receivables (Note 8)	**43,099,975**	54,646,521
Real estate properties for sale (Note 9)	**2,565,950,797**	1,916,113,031
Current portion of investments in trust funds (Note 5)	**5,987,496**	6,015,289
Other current assets (Note 13)	**40,387,350**	44,292,057
Total Current Assets	**5,522,456,485**	4,908,384,881
Noncurrent Assets		
Installment contracts receivable - net of current portion (Note 6)	**33,779,791**	20,050,544
Long-term investments (Note 4)	**395,000,000**	–
Contract assets - net of current portion (Note 6)	**1,806,629,605**	1,564,896,929
Cost to obtain contract - net of current portion (Note 6)	**25,170,158**	19,766,947
Notes receivable - net of current portion (Note 7)	**–**	595,000,000
Other receivables - net of current portion (Note 8)	**1,355,168**	3,310,297
Investments in trust funds - net of current portion (Note 5)	**30,762,567**	29,416,862
Real estate properties held for future development (Note 10)	**918,753,667**	973,872,993
Investment properties (Note 11)	**1,982,744,408**	2,046,001,773
Property and equipment (Note 12)	**64,746,840**	60,845,828
Net retirement plan assets (Note 24)	**11,323,185**	22,345,660
Deferred income tax assets - net (Note 25)	**8,192,586**	8,453,231
Other noncurrent assets (Note 13)	**307,041,125**	309,125,975
Total Noncurrent Assets	**5,585,499,100**	5,653,087,039
TOTAL ASSETS	**₱11,107,955,585**	₱10,561,471,920
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	**₱351,558,514**	₱166,095,116
Current portion of contract liabilities (Note 6)	**206,659,784**	197,085,232
Notes and contracts payable (Note 15)	**1,196,050,000**	1,365,547,992
Income tax payable	**33,703,861**	24,780,456
Current portion of pre-need and other reserves (Note 5)	**2,133,952**	2,416,195
Total Current Liabilities	**1,790,106,111**	1,755,924,991
Noncurrent Liabilities		
Accounts payable and accrued expenses - net of current portion (Note 14)	**156,825,877**	122,909,362
Contract liabilities - net of current portion (Note 6)	**314,835,689**	338,776,771
Pre-need and other reserves - net of current portion (Note 5)	**38,416,302**	38,943,644
Net retirement benefits liability (Note 24)	**8,314,472**	3,643,820
Deferred income tax liabilities - net (Note 25)	**38,962,439**	53,588,488
Total Noncurrent Liabilities	**557,354,779**	557,862,085
Total Liabilities	**2,347,460,890**	2,313,787,076

(Forward)

	December 31	
	2019	2018
Equity		
Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1 par value (Note 16)		
Authorized - 5,000,000,000 shares and 4,000,000,000 shares in 2019 and 2018, respectively		
Issued - 4,405,677,031 shares held by 655 equity holders as of December 31, 2019 and 3,940,001,648 shares held by 661 equity holders as of December 31, 2018	**₱4,405,677,031**	₱3,940,001,648
Additional paid-in capital	**7,277,651**	7,277,651
Unrealized fair value changes on financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	**1,911,998**	598,029
Accumulated re-measurement loss on defined benefit plan - net of deferred income tax effect (Note 24)	**(24,124,204)**	(15,413,505)
Retained earnings (Note 16)	**3,285,714,840**	3,290,490,493
Treasury stock - at cost (Note 16)	**(31,429,574)**	(31,429,574)
	7,645,027,742	7,191,524,742
Non-controlling interests (Note 17)	**1,115,466,953**	1,056,160,102
Total Equity	**8,760,494,695**	8,247,684,844
TOTAL LIABILITIES AND EQUITY	**₱11,107,955,585**	₱10,561,471,920

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Sales of real estate properties (Note 6)	**₱1,652,825,666**	₱1,462,770,043	₱1,310,712,989
Financial income (Note 21)	**512,092,522**	382,840,201	328,200,343
Rent income (Note 11)	**138,326,898**	126,309,736	119,681,308
Other income (Note 23)	**126,737,700**	83,976,302	84,783,339
	2,429,982,786	2,055,896,282	1,843,377,979
COST AND EXPENSES			
Cost of real estate sales (Note 9)	**898,493,584**	742,331,601	738,985,531
Operating expenses (Note 18)	**548,350,680**	512,744,710	381,289,647
Financial expenses (Note 22)	**17,675,587**	16,740,403	9,961,121
Other expenses (Note 23)	**22,416,439**	29,978,174	26,983,018
	1,486,936,290	1,301,794,888	1,157,219,317
INCOME BEFORE INCOME TAX	**943,046,496**	754,101,394	686,158,662
PROVISION FOR INCOME TAX (Note 25)	**208,906,615**	125,836,065	134,228,747
NET INCOME	**₱734,139,881**	₱628,265,329	₱551,929,915
Attributable to:			
Equity holders of the Parent Company	**₱644,728,822**	₱551,499,211	₱485,108,127
Non-controlling interests	**89,411,059**	76,766,118	66,821,788
	₱734,139,881	₱628,265,329	₱551,929,915
BASIC/DILUTED EARNINGS PER SHARE (Note 29)	**₱0.15**	₱0.13	₱0.11

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
NET INCOME	**₱734,139,881**	**₱628,265,329**	₱551,929,915
OTHER COMPREHENSIVE INCOME (LOSS)			
Not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets at FVOCI (Note 13)	**1,258,375**	**(761,601)**	–
Re-measurement gain (loss) on defined benefit plan, net of income tax effect (Note 24)	**(10,668,813)**	**6,507,351**	923,881
To be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale financial assets (Note 13)	–	–	(433,494)
	(9,410,438)	**5,745,750**	490,387
TOTAL COMPREHENSIVE INCOME	**₱724,729,443**	**₱634,011,079**	₱552,420,302
Attributable to:			
Equity holders of the Parent Company	**₱637,332,092**	**₱556,760,923**	₱485,404,179
Non-controlling interests	**87,397,351**	**77,250,156**	67,016,123
	₱724,729,443	**₱634,011,079**	₱552,420,302

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 16)	Additional Paid-in Capital	Unrealized Fair Value Changes on Financial Assets at FVOCI (Note 13)	Net Changes in Fair Values of Available-for-Sale Financial Assets (Note 13)	Accumulated Re-measurement Loss on Defined Benefit Plan – Net of Deferred Income Tax Effect (Note 24)	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Subtotal	Non-controlling Interests	Total
BALANCES AT DECEMBER 31, 2016	**₱3,752,475,115**	**₱7,277,651**	**₱–**	**₱1,706,728**	**(₱22,079,967)**	**₱2,674,505,757**	**(₱31,429,574)**	**₱6,382,455,710**	**₱935,785,359**	**₱7,318,241,069**
Net income	–	–	–	–	–	485,108,127	–	485,108,127	66,821,788	551,929,915
Other comprehensive income (loss)	–	–	–	(455,173)	751,225	–	–	296,052	194,335	490,387
Total comprehensive income (loss)	–	–	–	(455,173)	751,225	485,108,127	–	485,404,179	67,016,123	552,420,302
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation (Note 25)	–	–	–	–	–	726,858	–	726,858	–	726,858
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale (Note 25)	–	–	–	–	–	4,776,668	–	4,776,668	–	4,776,668
Stock dividends - 5%	187,526,533	–	–	–	–	(187,526,533)	–	–	–	–
Fractional shares	–	–	–	–	–	(325)	–	(325)	–	(325)
Cash dividends - ₱0.036 per share	–	–	–	–	–	(135,019,338)	–	(135,019,338)	–	(135,019,338)
Dividends received by CPI from CDC	–	–	–	–	–	78,740	–	78,740	–	78,740
Dividends received by CLDI	–	–	–	–	–	–	–	–	(8,082,853)	(8,082,853)
Dividends received by CLDI from CPI	–	–	–	–	–	–	–	–	139,787	139,787
BALANCES AT DECEMBER 31, 2017	**₱3,940,001,648**	**₱7,277,651**	**₱–**	**₱1,251,555**	**(₱21,328,742)**	**₱2,842,649,954**	**(₱31,429,574)**	**₱6,738,422,492**	**₱994,858,416**	**₱7,733,280,908**
BALANCES AT JANUARY 1, 2018, AS PREVIOUSLY STATED	**₱3,940,001,648**	**₱7,277,651**	**₱–**	**₱1,251,555**	**(₱21,328,742)**	**₱2,842,649,954**	**(₱31,429,574)**	**₱6,738,422,492**	**₱994,858,416**	**₱7,733,280,908**
Effect of adoption of new accounting standards (Note 2)	–	–	1,251,555	(1,251,555)	–	6,687,449	–	6,687,449	2,913,257	9,600,706
BALANCES AT JANUARY 1, 2018, AS RESTATED	**3,940,001,648**	**7,277,651**	**1,251,555**	**–**	**(21,328,742)**	**2,849,337,403**	**(31,429,574)**	**6,745,109,941**	**997,771,673**	**7,742,881,614**
Net income	–	–	–	–	–	551,499,211	–	551,499,211	76,766,118	628,265,329
Other comprehensive income (loss)	–	–	(653,526)	–	5,915,237	–	–	5,261,711	484,038	5,745,749
Total comprehensive income (loss)	–	–	(653,526)	–	5,915,237	551,499,211	–	556,760,922	77,250,156	634,011,078
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation (Note 25)	–	–	–	–	–	726,857	–	726,857	–	726,857
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale (Note 25)	–	–	–	–	–	7,393,607	–	7,393,607	–	7,393,607
Cash dividends - ₱0.0301 per share	–	–	–	–	–	(118,535,714)	–	(118,535,714)	–	(118,535,714)
Dividends received by CPI from CDC	–	–	–	–	–	69,129	–	69,129	–	69,129
Cash dividends declared by CLDI	–	–	–	–	–	–	–	–	(19,193,667)	(19,193,667)
Dividends received by CPI from CLDI	–	–	–	–	–	–	–	–	331,940	331,940
BALANCES AT DECEMBER 31, 2018	**₱3,940,001,648**	**₱7,277,651**	**₱598,029**	**₱–**	**(₱15,413,505)**	**₱3,290,490,493**	**(₱31,429,574)**	**₱7,191,524,742**	**₱1,056,160,102**	**₱8,247,684,844**

	Capital Stock (Note 16)	Additional Paid-in Capital	Unrealized Fair Value Changes on Financial Assets at FVOCI (Note 13)	Net Changes in Fair Values of Available-for-Sale Financial Assets (Note 13)	Accumulated Re-measurement Loss on Defined Benefit Plan – Net of Deferred Income Tax Effect (Note 24)	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Subtotal	Non-controlling Interests	Total
	Attributable to Equity Holders of the Parent Company									
BALANCES AT DECEMBER 31, 2018	**₱3,940,001,648**	**₱7,277,651**	**₱598,029**	**₱–**	**(₱15,413,505)**	**₱3,290,490,493**	**(₱31,429,574)**	**₱7,191,524,742**	**₱1,056,160,102**	**₱8,247,684,844**
Net income	–	–	–	–	–	644,728,822	–	644,728,822	89,411,059	734,139,881
Other comprehensive income (loss)	–	–	1,313,969	–	(8,710,699)	–	–	(7,396,730)	(2,013,708)	(9,410,438)
Total comprehensive income (loss)	–	–	1,313,969	–	(8,710,699)	644,728,822	–	637,332,092	87,397,351	724,729,443
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation (Note 25)	–	–	–	–	–	94,041	–	94,041	–	94,041
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale (Note 25)	–	–	–	–	–	4,699,124	–	4,699,124	–	4,699,124
Stock dividends - 6.5%	255,973,849	–	–	–	–	(255,973,849)	–	–	–	–
Stock dividends - 5.0%	209,701,534	–	–	–	–	(209,701,534)	–	–	–	–
Fractional shares	–	–	–	–	–	(635)	–	(635)	–	(635)
Cash dividends - ₱0.0450 per share	–	–	–	–	–	(188,731,688)	–	(188,731,688)	–	(188,731,688)
Dividends received by CPI from CDC	–	–	–	–	–	110,066	–	110,066	–	110,066
Cash dividends declared by CLDI	–	–	–	–	–	–	–	–	(28,584,854)	(28,584,854)
Dividends received by CPI from CLDI	–	–	–	–	–	–	–	–	494,354	494,354
BALANCES AT DECEMBER 31, 2019	**₱4,405,677,031**	**₱7,277,651**	**₱1,911,998**	**₱–**	**(₱24,124,204)**	**₱3,285,714,840**	**(₱31,429,574)**	**₱7,645,027,742**	**₱1,115,466,953**	**₱8,760,494,695**

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱943,046,496**	₱754,101,394	₱686,158,662
Adjustments for:			
Interest income (Note 21)	**(512,069,365)**	(382,818,378)	(328,177,519)
Depreciation (Note 20)	**58,910,052**	66,448,961	38,560,608
Interest expense - net of amounts capitalized (Note 22)	**14,980,000**	15,178,353	8,731,471
Retirement benefits costs (Note 24)	**3,218,540**	2,940,058	2,310,847
Trust fund income (Notes 5 and 23)	**(1,867,206)**	(1,720,203)	(2,285,042)
Interest expense - lease liabilities (Note 22)	**557,387**	–	–
Gain on sale of shares of stock (Notes 13 and 23)	**(488,095)**	–	–
Dividend income (Note 21)	**(23,157)**	(21,823)	(22,824)
Operating income before working capital changes	**506,264,652**	454,108,362	405,276,203
Decrease (increase) in:			
Installment contracts receivable (Note 6)	**(10,155,897)**	1,804,403,789	172,338,117
Contract assets (Note 6)	**(76,119,268)**	(2,046,036,531)	–
Cost to obtain contract (Note 6)	**(4,390,045)**	(19,353,956)	–
Other receivables (Note 8)	**6,410,069**	4,728,045	13,506,925
Real estate properties for sale (Note 9)	**(582,368,970)**	33,281,915	308,599,214
Real estate properties held for future development (Note 10)	**(2,670,691)**	(589,919,566)	(9,489,075)
Deposits and others	**5,320,883**	(206,559,101)	(14,419,171)
Increase (decrease) in:			
Accounts payable and accrued expenses (Note 14)	**215,006,674**	(70,974,359)	(320,827,687)
Contract liabilities (Note 6)	**(14,366,530)**	535,862,003	–
Pre-need and other reserves	**360,605**	(968,111)	(2,850,513)
Cash generated from (used in) operations	**43,291,482**	(101,427,510)	552,134,013
Contributions to the plan (Note 24)	**(2,766,575)**	(3,695,170)	(3,695,170)
Interest received	**519,160,971**	373,369,940	324,102,300
Income taxes paid, including creditable and final withholding taxes	**(204,983,100)**	(151,957,717)	(181,524,347)
Net cash flows from operating activities	**354,702,778**	116,289,543	691,016,796
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from matured (purchase of):			
Investments (Note 4)	**797,150,000**	(67,100,000)	(304,727,647)
Notes receivable (Note 7)	**716,500,000**	(188,500,000)	(708,000,000)
Additions to:			
Investment properties (Note 11)	**(7,851,242)**	(9,116,877)	(233,043,351)
Property and equipment (Note 12)	**–**	–	(5,407,500)
Contributions to investments in trust fund (Note 5)	**(3,419,654)**	(2,247,053)	(2,567,482)
Withdrawals from investments in trust funds (Note 5)	**4,546,272**	3,582,813	4,036,310
Proceeds from sale of shares of stock (Note 13)	**667,630**	–	–
Dividends received (Note 21)	**23,157**	21,823	22,824
Net cash flows from (used in) investing activities	**1,507,616,163**	(263,359,294)	(1,249,686,846)

(Forward)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of notes payable (Note 15)	**₱5,979,800,000**	₱6,088,050,000	₱6,106,350,000
Payments of notes payable (Note 15)	**(6,141,800,000)**	(6,183,450,000)	(6,325,900,000)
Payment of lease liabilities (Note 14)	**(2,621,265)**	–	–
Interest paid (Notes 14 and 15)	**(18,264,901)**	(11,569,064)	(8,859,592)
Dividends paid (Note 14)	**(215,869,967)**	(136,478,079)	(141,062,316)
Net cash flows used in financing activities	**(398,756,133)**	(243,447,143)	(369,471,908)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,463,562,808**	(390,516,894)	(928,141,958)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**470,311,423**	860,828,317	1,788,970,275
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,933,874,231**	₱470,311,423	₱860,828,317

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

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

The consolidated financial statements of the Parent Company and its subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were authorized for issuance by the Board of Directors (BOD) on June 10, 2020.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019:

- PFRS 16, *Leases*

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

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

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

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

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

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

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

  Leases previously accounted for as operating leases

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

  The Group also applied the available practical expedients wherein it:

  - Used a single discount rate to a portfolio of leases with reasonably similar characteristics
  - Relied on its assessment of whether leases are onerous immediately before the date of initial application

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

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

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

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

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

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

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

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

The interpretation specifically addresses the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Improvements to PFRSs 2015-2017 Cycle

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

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

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

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

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

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

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial 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.

Since the Group's current practice is in line with these amendments, the amendments do not have any effect on its consolidated financial statements upon adoption.

- *Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 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 PFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

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

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

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

  The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. This adjustment should have been applied retrospectively and would have resulted to restatement of prior year financial statements. A restatement would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings.

Adoption of PFRS 9 and PFRS 15 as of January 1, 2018

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

- PFRS 9, *Financial Instruments*

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

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

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

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

a. *Classification and Measurement*

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

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied prospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

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

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

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

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

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

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

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

Financial assets not held in trust:

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

Financial assets held in trust:

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

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

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

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

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

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

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

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

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

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

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Basis of Consolidation

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

The percentage of ownership of the Parent Company in these subsidiaries as of December 31, 2019 and 2018 are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

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

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

Short-term and Long-term Investments

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

Fair Value Measurement

Determination of fair value

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

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

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

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

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

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

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

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

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

Financial Instruments

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

Financial assets

Initial recognition and measurement

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

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

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

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

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

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

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

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met: (a) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

As of December 31, 2019 and 2018, the Group's investment in trust fund has debt instruments at FVOCI.

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

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

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

The Group has no financial assets at fair value through profit or loss as of December 31, 2019 and 2018.

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

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

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

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

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

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

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

a. Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   - the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
   - the assets or liabilities are part of a group of financial assets or financial liabilities, or both financial assets and financial liabilities, which are managed and their performance is evaluated

on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

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

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

b. Loans and Receivables

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

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

c. Held-to-maturity Investments

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

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

d. Available-for-sale Financial Assets

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

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

e. Other Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

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

Construction in progress is stated at cost. This includes costs of construction and other direct costs related to the investment property being constructed. Construction in progress is not depreciated until such time when the relevant assets are complete and ready for use. When such construction is completed and assets are ready for use, the costs of the said assets are transferred to specific classification under "Investment properties" account.

Property and Equipment

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

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

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

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

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

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

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

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

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

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

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

- The amount of provision is the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities as follows:
  i. Provision for termination values applying the inactivity and surrender rate experience of CPI.
  ii. The liability is equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions required per Product Model discounted at the lower of attainable rate or discount rate provided by the IC for SEC-approved plans and the pricing discount rate for IC-approved plans.

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

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

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

In 2019 and 2018, CPI follows IC Circular Letter No. 23-2012 dated November 28, 2012 which sets the guidelines below for the discount rate to be used in the valuation of PNR:

- Discount interest rate for the PNR

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

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

- Transitory PNR (TPNR)

  In effecting the transition in the valuation of reserves for old basket of plans, the IC shall prescribe a PNR with a maximum transition period of 10 years.

  For each of the pre-need plan categories, the TPNR shall be computed annually on the old basket of plans outstanding at the end of each year from 2012 to 2021 using the discount interest rates provided above. If the actual trust fund balance is higher than or equal to the resulting PNR then the liability setup shall be the PNR.

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

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

  The TPNR liability shall be recognized each year. As of December 31, 2019 and 2018, CPI's actual trust fund balance is lower than the resulting PNR (see Note 5).

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

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

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

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

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

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

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

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

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

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

Treasury Stock
Treasury stock is the Group's own equity instruments that has been issued and then reacquired but not yet cancelled. Treasury stock are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital.

Revenue Recognition
Revenue from Contract with Customers
The Group primarily derives its real estate revenue from the sale of completed real estate projects and undeveloped land. Revenue from contracts with customers is recognized when control of the goods or

services are transferred to the buyer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is acting as a principal in all of its revenue arrangements, except for the provisioning of water and electricity in its office leasing activities, wherein it is acting as agent.

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

Sales of real estate properties (CDC and CLDI)
CDC and CLDI derive their real estate revenue from sale of lots and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the entities' performance does not create an asset with an alternative use and the entities have an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the entities use input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The entities use the cost accumulated by the accounting department to determine the actual resources used. Input method excludes the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the buyer.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

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

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

Sales of real estate properties (CPI)
CPI derives its revenue from sale of condominium units. Revenue from the sale of these real estate projects are recognized at a point in time when control of the asset is transferred to the buyer, generally when the condominium units are delivered to and accepted by the buyer. The payment is collectible in monthly installments for periods ranging from 1 to 10 years.

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

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

Cost recognition (CPI)
CPI recognizes costs relating to satisfied performance obligations as these are incurred.

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

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the buyer. If the entities perform by transferring goods or services to a buyer before the buyer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a buyer for which the entities have received consideration (or an amount of consideration is due) from the buyer. If a buyer pays consideration before the entities transfer goods or services to the buyer, a contract liability is recognized when the payment is made or payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the entities perform under the contract.

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

Costs to obtain contract
The incremental costs of obtaining a contract with a buyer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Operating expenses" account in the consolidated statement of income.

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

Amortization and derecognition of capitalized costs to obtain a contract
CDC and CLDI amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within operating expenses.

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

Revenue Recognition Prior to January 1, 2018
Revenue and Costs Recognition
Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Group and the amount of revenue can be reliably measured. For sales of real estate properties, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Revenue is measured at the fair value of the consideration received excluding VAT. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue

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

Sales of real estate properties
Revenue from sales of completed real estate properties and undeveloped land is accounted for using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the properties have been passed to the buyer and the amount of revenue can be measured reliably.

In accordance with Philippine Interpretations Committee Q&A 2006-01, *Revenue Recognition for Sales of Property Units under Pre-completion Contracts,* the percentage-of-completion (POC) method is used to recognize income from sales of real estate properties when the Group has material obligations under the sales contract to complete the project after the property is sold. The Group starts recognizing revenue under the POC method when the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished) and the costs incurred or to be incurred can be measured reliably. Under this method, revenue on sale is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

If the criteria of full accrual and POC method are not satisfied and when the license to sell and certificate of registration for a project are not yet issued by the Housing and Land Use Regulatory Board (HLURB), any cash received by the Group is recorded as part of "Customers' deposits" account which is included under "Accounts payable and accrued expenses" in the consolidated statement of financial position until all the conditions for recognizing the sale are met.

Cost of real estate sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate properties sold before completion is determined using the POC used for revenue recognition applied on the acquisition cost of the land plus the total estimated development costs of the property.

The cost of inventory recognized in profit or loss on disposal (cost of real estate sales) is determined with reference to the specific and allocated costs incurred on the sold property taking into account the POC. The cost of real estate sales also includes the estimated development costs to complete the real estate property, as determined by independent project engineers, and taking into account the POC. The accrued development costs account is presented under "Accounts payable and accrued expenses" in the consolidated statement of financial position.

Any changes in estimated development costs used in the determination of the amount of revenue and expenses are recognized in consolidated statement of income in the period in which the change is made.

<u>Applicable to All Periods Presented</u>
Sales of pre-need plans
Premiums from sale of pre-need plans, included under "Other income" account in the consolidated statement of income are recognized as earned when collected.

Cost of contracts issued
This account pertains to (a) the increase or decrease in PNR as at the current year as compared to the provision for the same period of the previous year; (b) amount of trust funds contributed during the year including any trust fund deficiency; and (c) documentary stamp tax and SEC registration fees.

If there is a decrease in the PNR as a result of new information or developments, the amount shall be deducted from the cost of contracts issued in the current period. In case of material prior period errors, the requirements of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, shall be complied with by CPI.

Interest income
Interest income from cash in banks, cash equivalents and short-term and long-term investments, installment contracts receivable, contract assets, guaranty deposits and notes receivable is recognized as the interest accrues taking into account the effective yield on interest.

Dividend income
Dividend income is recognized when the Group's right to receive the payment is established.

Trust fund income
Trust fund income mainly pertains to rental income on investment properties under the trust fund account, as well as, trading gains and losses from buying and selling and changes in fair value of financial assets and financial liabilities categorized upon initial recognition as at fair value through profit or loss investments under the trust fund account.

Leases *(effective January 1, 2019)*
The Group assesses at contract inception whether a contract is, or contains, a lease. It constitutes that the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

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

assets are recognized as expense on a straight-line basis over the lease term.

Leases (applicable until December 31, 2018 prior to the adoption of PFRS 16)
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is substantial change to the asset.

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

Operating leases - Group as a lessor
Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rent income from operating leases is recognized as income when earned on a straight-line basis over the term of the lease agreement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Operating expenses
Operating expenses constitute costs of administering the business. These costs are expensed as incurred.

Financial expenses
Financial expenses consist of interest incurred on notes and contracts payable. Interest attributable to a qualifying asset is capitalized as part of the cost of the asset while others are expensed as incurred.

Interest costs are capitalized if they are directly attributable to the acquisition, development and construction of real estate projects as part of the cost of such projects. Capitalization of interest cost (1) commences when the activities to prepare the assets for their intended use are in progress and expenditures and interest costs are being incurred, (2) is suspended during extended periods in which active development is interrupted, and (3) ceases when substantially all the activities necessary to prepare the assets for their intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Other income and other expenses
Other income and other expenses pertain mainly to the gain or loss, respectively, arising from forfeiture or cancellation of prior years' real estate sales arising from the difference between the outstanding balance of receivables and the original cost of the inventories.

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

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

Retirement benefits cost comprises the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are earned by the employees. The undiscounted liability for leave expected to be settled within 12 months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period. Accumulating leave credits which can be utilized anytime when needed or converted to cash upon employee separation (i.e., resignation or retirement) are presented at its discounted amount as "Accounts payable and accrued expenses - noncurrent portion" in the consolidated statement of financial position.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract,

the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the effective future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting period.

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability under "Income tax payable" account in the consolidated statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset under "Other current assets" account in the consolidated statement of financial position.

Deferred income tax

Deferred income tax is recognized on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except (a) where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and deferred income tax liabilities are not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and those directly in comprehensive income such as re-measurement of defined benefit plan are recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense that are not recognized in the consolidated statement of income in accordance with PFRSs. Other comprehensive income of the Group includes gains and losses on fair value changes of financial assets at FVOCI/available-for-sale financial assets, re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability).

Earnings Per Share

Basic earnings per share is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares issued and outstanding after considering the retroactive effect, if any, of stock dividends declared during the year.

Diluted earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares and adjusted for the effects of all dilutive potential common shares, if any. In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retrospectively.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 30 to the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Events After the Reporting Period

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

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its Group financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 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.

  These amendments do not affect the consolidated financial statements but may apply on future insurance contracts that may be entered by the Group.

Deferred effectivity

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the results for the period presented. Actual results could differ from such estimates.

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

Consolidation of CLDI in which the Group holds less than a majority of voting right (de facto control)
The Group consolidates the accounts of CLDI since it considers that it controls CLDI even though it owns less than 50% of voting interest. The factors that the Group considered in making this determination include the size of its block of voting shares and the relative size and dispersion of holdings by other stockholders. The Group is the single largest shareholder of CLDI with 49.73% equity interest. The Parent Company, some of its stockholders and affiliates (whose stockholders also own equity ownership in the Parent Company) collectively own more than 50% of the equity of CLDI giving the Parent Company effective control over CLDI.

Management has determined that it has control by virtue of its power to cast the majority of votes at meetings of the BOD in all of its subsidiaries.

Revenue recognition
Selecting the appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the following, among others:

- *Existence of a contract*
  The Group's primary document for a contract with a buyer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the

combination of other signed documentation such as reservation agreement, official receipts and other documents, would contain all the criteria to qualify as a contract with the buyer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will be able to collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the buyer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the buyer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as the credit standing and financial capacity of the buyer, age and location of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before commencing revenue recognition.

- *Revenue recognition method and measure of progress*
  The Group, except for CPI, concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the buyer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the buyer is contractually obliged to make payments to the developer up to the performance completed to date.

  The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the buyer.

- *Identifying performance obligation*
  The Group has various contracts to sell covering its sale of condominium units and other real estate properties. The Group concluded that there is one performance obligation in each of these contracts because it has the obligation to deliver the condominium unit duly constructed in a specific lot and fully integrated into the serviced land in accordance with the approved plan. For the sale of real estate properties such as raw land, the Group integrates certain activities to the said property to be able to deliver the guaranteed property based on the contract with the buyer. Included also in this performance obligation is the Group's service is to transfer the title of the real estate unit to the buyer.

- *Principal versus agent considerations*
  The contract for the Group's buildings for lease includes the right to charge for the electricity usage, water usage, air conditioning charges and CUSA like maintenance, janitorial and security services.

  For the electricity and water usage, the Group determined that it is acting as an agent because the commitment of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility company, and not the real estate developer, is primary responsible for the provisioning of the utilities while the Group administers the leased spaces and coordinates with the utility companies to ensure that tenants have access to these utilities. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

For the provision of air conditioning and services in the CUSA, the Group acts as a principal. This is because it is the Group who retains the right to direct the service provider of CUSA as it chooses and the party responsible to provide proper ventilation and air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air conditioning charges.

Revenue recognition prior to adoption of PFRS 15
Selecting the appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the following, among others:

- *Buyer's continuing commitment to the sales agreement*
  Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn, is supported by substantial initial and continuing investments that gives the buyer a sufficient stake in the property that risk of loss through default motivates the buyer to honor his obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property.

  For sale of real estate properties, in determining whether the sales prices are collectible, the Group considers that initial payments from the buyer of about 10% would demonstrate the buyer's commitment to pay.

- *Stage of completion of the project*
  The Group commences the recognition of revenue from sale of uncompleted projects where the POC method is used when the POC, as determined by independent project engineers, which is at more or less 10%. It is the period when the Group considers that the construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished).

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used for administrative purposes.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Investment properties amounted to ₱1.98 billion and ₱2.05 billion as of December 31, 2019 and 2018, respectively (see Note 11). Property and equipment amounted to ₱64.75 million and ₱60.85 million as of December 31, 2019 and 2018, respectively (see Note 12).

Distinction between real estate properties for sale and investment properties
The Group determines whether a property is classified as for sale, for lease or for capital appreciation.

Real estate properties which the Group develops and intends to sell on or before completion of construction are classified as real estate properties for sale. Real estate properties for sale amounted to ₱2.57 billion and ₱1.92 billion as of December 31, 2019 and 2018, respectively (see Note 9). Real estate properties which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation are classified as investment properties. Investment properties amounted to ₱1.98 billion and ₱2.05 billion as of December 31, 2019 and 2018, respectively (see Note 11).

Distinction between real estate properties for sale and held for future development
The Group determines whether a property will be classified as real estate properties for sale or held for future development. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate properties for sale) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (real estate properties held for future development). Real estate properties for sale amounted to ₱2.57 billion and ₱1.92 billion as of December 31, 2019 and 2018, respectively (see Note 9). Real estate properties held for future development amounted to ₱0.92 billion and ₱0.97 billion as of December 31, 2019 and 2018, respectively (see Note 10).

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

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

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

Leases - Estimating the incremental borrowing rate (effective January 1, 2019)
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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

Revenue recognition - Revenue recognition method and measure of progress
The measurement of progress for revenue recognition requires management to make use of estimates and assumptions. The Group's real estate sales is based on the percentage-of-completion method measured principally on the basis of total actual cost of resources consumed such as materials, labor hours expended and actual overhead incurred over the total estimated development cost of the project. Estimated development costs of the project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. The estimated development cost is prepared by the Group's project engineers and are independently reviewed by the Group's third-party independent project engineers. Revisions in estimated development costs brought about by increases in projected costs in excess of the original

budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Revenue recognition prior to adoption of PFRS 15 - Revenue and cost recognition
The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amount of revenue and cost. The Group's revenue from real estate properties based on the POC is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Estimation of POC of real estate projects
The Group estimates the POC of ongoing projects for purposes of accounting for the estimated costs of development as well as revenue to be recognized. Actual costs of development could differ from these estimates. Such estimates will be adjusted accordingly when the effects become reasonably determinable. The POC is based on the technical evaluation of the independent project engineers as well as management's monitoring of the costs, progress and improvements of the projects. Sales of real estate properties amounted to ₱1.65 billion, ₱1.46 billion and ₱1.31 billion in 2019, 2018 and 2017, respectively (see Note 6). Cost of real estate sales amounted to ₱0.90 billion in 2019 and ₱0.74 billion in 2018 and 2017 (see Note 9).

Provision for expected credit losses of installment contract receivables and contract assets
The Group uses a provision matrix to calculate ECLs for installment contract receivables and contract assets. The provision rates are based on past collection history and other factors, which include, but are not limited to the length of the Group's relationship with the buyer, the buyer's payment behavior and known market factors that affect the collectability of the accounts.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as the inflation rate, gross domestic product, interest rate and unemployment rate. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions such as inflation rate, gross domestic product, interest rate and unemployment rate and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of buyer's actual default in the future. The information about the ECLs on the Group's installment contracts receivable and contract assets is disclosed in Note 27. As of December 31, 2019 and 2018, installment contracts receivable, contract assets, notes receivable, and other receivables aggregated to ₱2.41 billion and ₱3.05 billion, respectively. No impairment of receivables was recognized in 2019 and 2018 (see Notes 6, 7 and 8).

Estimation of allowance for impairment of receivables prior to January 1, 2018
The level of this allowance is evaluated by management based on past collection history and other factors, which include, but not limited to the length of the Group's relationship with buyer, the buyer's payment behavior, known market factors that affect the collectability of the accounts and the fair value of real estate properties held as collaterals. As of January 1, 2018, the Group did not recognize any impairment on its receivables. As of December 31, 2017, installment contracts receivable, notes receivable and other receivables aggregated to ₱2,616.66 million (see Notes 6, 7 and 8).

Determination of net realizable value of real estate properties for sale and held for future development
The Group's estimates of net realizable value of real estate properties for sale and held for future development are based on the most reliable evidence available at the time the estimates are made, or the amount that the real estate properties for sale and held for future development are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of net realizable value in each subsequent period. When the circumstances that previously caused the real estate properties for sale to be written down below cost no longer exist or when there is a clear evidence of an increase in net realizable value because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

The Group's real estate properties for sale as of December 31, 2019 and 2018 amounted to ₱2.57 billion and ₱1.92 billion, respectively (see Note 9). On the other hand, the Group's real estate properties held for future development as of December 31, 2019 and 2018 amounted to ₱0.92 billion and ₱0.97 billion, respectively (see Note 10).

Estimation of useful lives of investment properties and property and equipment
The Group estimates the useful lives of investment properties and property and equipment based on the internal technical evaluation and experience with similar assets. Estimated lives of investment properties and property and equipment are reviewed periodically and updated if expectations differ from previous estimates due to wear and tear, technical and commercial obsolescence and other limits on the use of the assets. Net book value of depreciable investment properties as of December 31, 2019 and 2018 amounted to ₱1.01 billion and ₱1.08 billion, respectively (see Note 11). On the other hand, the net book value of depreciable property and equipment amounted to ₱18.22 million and ₱14.32 million as of December 31, 2019 and 2018, respectively (see Note 12).

Impairment of financial assets at FVOCI
An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Group evaluates the financial health of the issuer, among others. The Group treats FVOCI equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more of cost and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

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

Determination of the fair value of investment properties
The Group discloses the fair values of its investment properties in accordance with PAS 40, *Investment Property,* the Group engaged SEC-accredited and independent valuation specialists to assess fair value as of December 31, 2019 and 2018. The Group's investment properties consist of land and building pertaining to commercial properties. These are valued by reference to sales of similar or substitute properties and other related market data had the investment properties been transacted in the market. The significant unobservable inputs used in determining the fair value are the sales price per square meter of similar or substitute property, location, size, shape of lot and the highest and best use. Another method used in determining the fair value of land properties is based on the market data approach. The value of land is based on sales and listings of comparable property registered within the vicinity. This requires adjustments of comparable property by reducing reasonable comparative sales

and listings to a common denominator by adjusting the difference between the subject property and those actual sales and listings regarded as comparables. The comparison is premised on the factors of location; size and shape of the lot; time element and others (see Note 27).

Determination of impairment indicators on investment properties and property and equipment
The Group determines whether its nonfinancial assets such as investment properties and property and equipment are impaired when impairment indicators exist such as significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. When an impairment indicator is noted, the Group makes an estimation of the value-in-use of the cash-generating units to which the assets belong. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows. No impairment indicator was noted as of December 31, 2019 and 2018. Net book value of investment properties as of December 31, 2019 and 2018 amounted to ₱1.98 billion and ₱2.05 billion, respectively (see Note 11). On the other hand, the net book value of property and equipment amounted to ₱64.75 million and ₱60.85 million as of December 31, 2019 and 2018, respectively (see Note 12).

Estimation of retirement benefits cost
The cost of the defined benefit plan and the present value of the defined benefit obligation are determined using actuarial valuations which involves making various assumptions that may differ from actual developments in the future. These assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the various tenors, rates for intermediate durations were interpolated and the rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate.

The mortality rate is based on publicly available mortality table in the Philippines. Future salary increases are based on expected future inflation rates. Further details about assumptions used are given in Note 24.

Net retirement benefits cost amounted to ₱3.22 million, ₱2.94 million and ₱2.31 million in 2019, 2018 and 2017, respectively. The carrying value of the Parent Company's and CPI's net retirement plan assets as of December 31, 2019 and 2018 amounted to ₱11.32 million and ₱22.35 million, respectively. The carrying value of CLDI's net retirement benefits liability as of December 31, 2019 and 2018 amounted to ₱8.31 million and ₱3.64 million, respectively (see Note 24).

Estimation of reserves
Reserves are set up for all pre-need benefits guaranteed and payable by CPI as defined in the pre-need plan contracts. The determination of CPI's reserves is based on the actuarial formula, methods, and assumptions allowed by applicable SEC and IC circulars.

As of December 31, 2019, the principal assumptions used in determining the PNR was based on the IC Circular Letter No. 23-2012 dated November 28, 2012. The transitory discount interest rate that shall be used in the valuation of pre-need reserves shall not exceed the lower of the attainable rates as certified by the Trustee of 3.58% and 4.79% in 2019 and 2018, respectively, and the IC rate of 6.00%.

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

December 31, 2019:

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

- Plans issued prior to 2006 and after - 3.58% discount rate (ROI rate) and no surrender/lapse rates were used.

b. Currently-Being-Paid Pension Plans - Lapsed Plans

- Plans issued prior to 2006 and after - reserves equal the termination values (as originally computed) at the date of lapse and no reinstatement rate was assumed.

c. Fully paid plans - Availing and Not Yet Availing

- Plans with maturity dates in years 2020 and after – 3.58% discount rate (ROI rate) and no surrender rates were assumed for fully paid plans.

December 31, 2018:

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

- Plans issued prior to 2006 and after - 4.79% discount rate (ROI rate) and no surrender/lapse rates were used.

b. Currently-Being-Paid Pension Plans - Lapsed Plans

- Plans issued prior to 2006 and after - reserves equal the termination values (as originally computed) at the date of lapse and no reinstatement rate was assumed.

c. Fully paid plans - Availing and Not Yet Availing

- Plans with maturity dates in years 2019 and after - 4.79% discount rate (ROI rate) and no surrender rates were assumed for fully paid plans.

December 31, 2017:

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

- Plans issued prior to 2006 and after - 5.47% discount rate (ROI rate) and no surrender/lapse rates were used.

b. Currently-Being-Paid Pension Plans - Lapsed Plans

- Plans issued prior to 2006 and after - reserves equal the termination values (as originally computed) at the date of lapse and no reinstatement rate was assumed.

c. Fully paid plans - Availing and Not Yet Availing

- Plans with maturity dates in years 2018 and after - 5.47% discount rate (ROI rate) and no surrender rates were assumed for fully paid plans.

Management believes that the amount of pre-need reserves and other reserves recorded in the books closely reflect potential plan claims as of end of reporting period. As of December 31, 2019 and 2018, pre-need reserve and other reserves amounted to ₱40.55 million and ₱41.36 million, respectively (see Note 5).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

As of December 31, 2019 and 2018, deferred income tax assets amounted to ₱61.61 million and ₱44.53 million, respectively (see Note 25).

4. Cash and Cash Equivalents and Short-term and Long-term Investments

Cash and cash equivalents consist of:

	2019	2018
Cash on hand and in banks	**₱36,974,231**	₱22,411,423
Cash equivalents	**1,896,900,000**	447,900,000
	₱1,933,874,231	₱470,311,423

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

Short-term investments consist of:

	2019	2018
Short-term cash investments	**₱102,950,000**	₱1,570,600,000
Short-term bond investments	**295,000,000**	19,500,000
	₱397,950,000	₱1,590,100,000

Short-term investments have maturities of more than three months to one year from dates of acquisition and earn interest at the prevailing market rates.

Long-term investments amounting to ₱395.00 million and nil as of December 31, 2019 and 2018, respectively, pertain to bond investments that have maturities of more than one year from the date of acquisition.

Interest income earned from cash in banks, cash equivalents and short-term and long-term investments amounted to ₱154.10 million, ₱83.62 million and ₱67.34 million in 2019, 2018 and 2017, respectively (see Note 21).

5. Investments in Trust Funds and Pre-need and Other Reserves

Investments in trust funds
Pursuant to the provisions of the SEC Memorandum Circular No. 6, *Guidelines on the Management of the Trust Fund of Pre-Need Corporation* (SEC Circular No. 4), the SEC requires, among others, that companies engaged in the sale of pre-need plans and similar contracts to planholders set up a trust fund to guarantee the delivery of property or performance of service in the future. Withdrawals from these trust funds are limited to, among others, payments of pension plan benefits, bank charges and

investment expenses in the operation of the trust funds, termination value payable to plan holders, contributions to the trust funds of cancelled plans and final taxes on investment income of the trust funds.

In accordance with the SEC requirements, CPI has funds deposited with two local trustee banks aggregating to ₱36.75 million and ₱35.43 million as of December 31, 2019 and 2018, respectively, which are recorded under "Investments in trust funds" account in the consolidated statements of financial position.

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

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

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

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

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

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

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

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

Movement in unrealized fair value changes on financial assets at FVOCI in 2018 is as follows:

Balance at January 1, 2018, as previously stated	₱–
Transfer from AFS (Note 2)	672,577
Balance at January 1, 2018, as restated	672,577
Market to market loss for the year	(542,322)
Balance at December 31, 2018	₱130,255

The movement in fair value of AFS financial assets in 2017 is as follows:

Balance at January 1, 2017	₱1,266,802
Market to market loss for the year	(594,225)
Balance at December 31, 2017	₱672,577

Details of reserves are as follows:

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

Net contractual liabilities comprise the PNR and reserve for trust fund deficiency. In the opinion of management and the independent actuary, CPI's net contractual liabilities amounting to ₱40.55 million and ₱41.36 million as of December 31, 2019 and 2018, respectively, which is based on the actuarial reports, closely reflect actual potential plan claims as of those dates.

In accordance with IC Circular Letter No. 23-2012 issued on November 28, 2012, the Group computed for the transitory PNR which amounted to ₱33.26 million and ₱30.39 million as of December 31, 2019 and 2018, respectively. If the resulting pre-need reserve is greater than the actual trust fund balance at the end of the year, the transitory pre-need reserves shall be computed in accordance with the schedule provided in the IC Circular Letter.

Although not required, in 2019 and 2018, the BOD has deemed it prudent and opted to set up the difference in net contractual liabilities and transitory pre-need reserve amounting to ₱6.70 million (to be funded for the next 2 years) and ₱10.26 million (to be funded for the next 3 years) under "Pre-need and other reserves" account as of December 31, 2019 and 2018, respectively.

The trust fund deficiency amounting to ₱3.35 million, ₱3.42 million and ₱2.21 million in 2019, 2018 and 2017, respectively, should be placed in the trust fund within 60 days from April 30 following the valuation date. The trust fund deficiency for the year represents the difference of pre-need reserve and trust fund investment, net of investment in trust funds allocated to pension bonus and unrealized gains.

The following presents the breakdown of the pre-need reserves by maturity dates as of December 31, 2019:

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

IC Circular Letter No. 2018-58
On November 14, 2018, the IC issued Circular Letter 2018-58 providing Regulatory Relief for the Pre-need Industry due to High Volatility in the Philippine Market. The circular provides the following regulatory relief:

1. Valuation of Publicly Listed Equity Securities
   For listed equity securities acquired on or before December 31, 2017, pre-need companies shall have the option to use the prevailing market rate prescribed by PFRSs or the market rate as of December 31, 2017.

   For listed equity securities acquired after December 31, 2017, pre-need companies shall have the option to use the prevailing market rate prescribed by PFRSs or the acquisition cost.

   The above options apply provided the equity securities are not intended for sale in the short-term.

2. Valuation of Fixed Income Debt Securities
   Pre-need companies shall have the option to value all the fixed income debt securities at amortized cost.

3. Pre-need reserves
   Pre-need companies shall have the option to use the prevailing market rate or the discount rate for the reserves under Circular Letter 23-2012 in the valuation of pre-need reserves.

As of December 31, 2018, CPI did not avail of the above regulatory relief on the valuation of assets and pre-need reserves. Hence, the assets and pre-need reserves are valued using market rates.

6. Revenue from Contracts with Customers

a. *Disaggregated Revenue Information*
   The Group derives revenue from the real estate sales overtime in different product type and geographical location. The disaggregation of each sources of revenue from contracts with customers are presented on the next page:

Real estate sales

Type of Product	2019	2018	2017
High-rise condominium	**₱1,594,832,257**	₱1,406,208,769	₱1,228,418,789
Parking slots and others	**57,993,409**	56,561,274	79,794,200
Lot only	**–**	–	2,500,000
Total	**₱1,652,825,666**	₱1,462,770,043	₱1,310,712,989

Geographical Location	2019	2018	2017
Metro Manila	**₱1,652,825,666**	₱1,462,770,043	₱1,308,212,989
Tagaytay	**–**	–	2,500,000
Total	**₱1,652,825,666**	₱1,462,770,043	₱1,310,712,989

All of the Group's real estate sales, except for CPI, are revenue from contracts with customers recognized over time and are reported under "Sales of real estate properties" segment. For CPI, real estate sales are revenue from contracts with customers recognized at a point in time.

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

Contract Balances

	December 31, 2019	December 31, 2018
Installment contracts receivable	**₱41,171,092**	₱31,015,195
Contract assets:		
Current	**315,526,194**	481,139,602
Noncurrent	**1,806,629,605**	1,564,896,929
Contract liabilities		
Current	**206,659,784**	197,085,232
Noncurrent	**314,835,689**	338,776,771

Installment contracts receivable as of December 31:

	2019	2018
Installment contracts receivable	**₱41,171,092**	₱31,015,195
Less noncurrent portion	**33,779,791**	20,050,544
Current portion	**₱7,391,301**	₱10,964,651

Installment contracts receivable arises from sale of real estate properties and is collectible in monthly installments for periods ranging from 1 to 10 years which bear monthly interest rates of 0.67% to 2.00% both in 2019 and 2018 computed on the diminishing balance.

Interest income earned from installment contracts receivable and contract assets amounted to ₱344.96 million, ₱262.40 million and ₱248.76 million in 2019, 2018 and 2017, respectively (see Note 21).

The Parent Company, CLDI and CI entered into contract of guaranty under Retail Guaranty Line with Home Guaranty Corporation (HGC). The amount of installment contract receivable enrolled and renewed by the Group amounted to ₱2.83 billion and ₱2.64 billion in 2019 and 2018, respectively. The Group paid a guaranty premium of 1.00% based on outstanding principal balance of the receivables in 2019, 2018 and 2017 (see Note 18).

Contract asset represents the right to consideration that was already delivered by the Group in excess of the amount recognized as installment contracts receivable. This is reclassified as installment contracts receivable when the monthly amortization of the buyer is already due for collection.

Contract liabilities amounting to ₱521.50 million and ₱535.86 million as of December 31, 2019 and 2018, respectively, consist of collections from real estate buyers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred by the Group based on percentage of completion.

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

b. *Performance obligations*

Information about the Group's performance obligations are summarized below:

Real estate sales
The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit may cover either the parking lot or condominium unit and the Group concluded that there is one performance obligation in each of these contracts. The Group, except for CPI, recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction. CPI recognizes revenue from the sale of these real estate projects at a point in time when control of the asset is transferred to the buyer, generally when the condominium units are delivered to and accepted by the buyer.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the buyer. The financing scheme would include down payment of generally 5% to 10% of the contract price with the remaining balance payable through in-house financing which ranges from one (1) month to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the buyer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2019 and 2018 are as follows:

	2019	2018
Within one year	**₱461,678,672**	₱222,649,873
More than one year	**940,312,003**	253,836,651
	₱1,401,990,675	₱476,486,524

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's condominium units are completed within three years to five years from start of construction.

Rental agreements
The Group entered into lease agreements for its buildings for lease with the following identified performance obligations: (a) lease of space, (b) provisioning of water and electricity, (c) provision of air conditioning and CUSA services and (d) administration fee. Revenue from lease of space is recognized on a straight-line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to issue post-dated checks on the monthly rental payments. In case of delay in payments, a penalty of about 4% per annum is charged for the amount due for the duration of delay. The lease arrangement for the Group's long-term lease transactions would typically require a tenant to pay advance rental equivalent to three (3) months and a security deposit equivalent to three (3) months rental to cover any breakages after the rental period, with the excess returned to the tenant.

c. *Cost to Obtain Contract*

The balances below pertain to the cost to obtain contracts as of December 31, 2019 and 2018 as presented in the consolidated statements of financial position:

	December 31, 2019	December 31, 2018
Balance at beginning of year	**₱33,069,254**	₱13,715,298
Additions	**39,694,740**	34,071,059
Amortization	**(35,304,695)**	(14,717,103)
Balance at end of year	**37,459,299**	33,069,254
Less noncurrent portion	**25,170,158**	19,766,947
Current portion	**₱12,289,141**	₱13,302,307

7. Notes Receivable

Notes receivable from various financial institutions earns interest at the prevailing market interest rates ranging from 3.200% to 3.600%.

	2019	2018
Notes receivable	**₱200,000,000**	₱916,500,000
Less noncurrent portion	–	595,000,000
Current portion	**₱200,000,000**	₱321,500,000

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

December 31, 2019:

Date of Placement	Amount	Maturity Date
April 2017	₱180,000,000	April 2020
August 2016	20,000,000	August 2020
Total	₱200,000,000	

December 31, 2018:

Date of Placement	Amount	Maturity Date
November 2018	₱41,500,000	January 2019
October 2018	52,500,000	February 2019
September 2018	47,500,000	January 2019
August 2018	95,000,000	February 2020
June 2018	30,000,000	June 2021
May 2018	50,000,000	May 2019
December 2017	70,000,000	December 2022
October 2017	70,000,000	April 2019
October 2017	60,000,000	October 2019
April 2017	380,000,000	April 2020
August 2016	20,000,000	August 2020
Total	₱916,500,000	

Interest income earned from notes receivable amounted to ₱1.44 million, ₱29.16 million and ₱12.08 million in 2019, 2018 and 2017, respectively (see Note 21).

8. Other Receivables

Other receivables consist of:

	2019	2018
Rent receivable	**₱14,299,254**	₱14,268,276
Accrued interest (Note 26)	**14,195,028**	21,286,634
Advances to customers	**12,161,246**	14,091,443
Retention	**2,842,091**	1,462,366
Advances to condominium corporations	**634,407**	2,702,022
Due from BIR	–	3,774,771
Others	**323,117**	371,306
	44,455,143	57,956,818
Less noncurrent portion	**1,355,168**	3,310,297
Current portion	**₱43,099,975**	₱54,646,521

Rent receivable arose from the investment properties rented-out under non-cancellable long-term operating lease contracts (see Note 11). Accrued interest pertains to interest income earned as of December 31 but not yet received by the Group. Advances to customers are receivables of the Group for the real estate property taxes of sold condominium units initially paid by the Group. Retention pertains to the amount held on cash sale of real estate properties. Advances to condominium corporations pertain to disbursements which are collectible from condominium corporations. Due from BIR pertains to input VAT refund relating to zero-rated sales which was written off in 2019. Other receivables include employees' advances and receivables from buyers for expenses initially paid by Group.

9. Real Estate Properties for Sale

Real estate properties for sale consists of costs incurred in the development of condominium units and residential houses. Real estate properties for sale includes deemed cost adjustment amounting to ₱5.86 million and ₱22.10 million as of December 31, 2019 and 2018, respectively (see Note 16). The deemed cost adjustment arose when the Group transitioned to PFRSs in 2005.

The movements in real estate properties for sale are as follows:

	2019	2018
Balances at beginning of year	**₱1,916,113,031**	₱1,177,390,644
Construction/development costs incurred	**1,421,829,871**	685,692,827
Disposals (cost of real estate sales)	**(898,493,584)**	(742,331,601)
Transfer from real estate properties held for future development (Note 10)	**50,292,025**	760,470,007
Transfer from investment properties (Note 11)	**17,176,771**	11,534,295
Borrowing costs capitalized (Note 22)	**29,139,958**	9,495,031
Other adjustments - net	**29,892,725**	13,861,828
Balances at end of year	**₱2,565,950,797**	₱1,916,113,031

Real estate properties for sale account includes capitalized borrowing costs incurred during each year in connection with the development of the properties. The average capitalization rate used to determine the amount of capitalized borrowing costs eligible for capitalization is 3.61%, 1.88% and 1.24% in 2019, 2018 and 2017, respectively.

Other adjustments include realized deemed cost adjustment and the recognition of repossessed real estate properties measured at fair value less cost to sell at the date of repossession.

10. Real Estate Properties Held for Future Development

Real estate properties held for future development include land properties reserved by the Group for its future condominium projects.

Movements in real estate properties held for future development are as follows:

	2019	2018
Balances at beginning of year	**₱973,872,993**	₱1,194,820,381
Additions	**2,670,691**	597,417,558
Transfer to real estate properties for sale (Note 9)	**(50,292,025)**	(760,470,007)
Transfer to investment properties (Note 11)	**–**	(11,368,615)
Transfer to property and equipment (Note 12)	**–**	(46,526,324)
Cost adjustment (Note 15)	**(7,497,992)**	–
Balances at end of year	**₱918,753,667**	₱973,872,993

In 2018, CLDI purchased a property along Boni Avenue, Mandaluyong City. The said acquisition in 2018 resulted to an outstanding balance of contract payable amounting to ₱7.50 million which was settled in 2019 through adjustment of the cost of the property.

11. **Investment Properties**

Investment properties consist of:

	2019	2018
Real estate properties for lease	**₱1,801,605,076**	₱1,864,862,441
Real estate properties held for capital appreciation	**181,139,332**	181,139,332
	₱1,982,744,408	₱2,046,001,773

Movements in investment properties are as follows:

	2019			
	Land	**Building**	**Machinery and Equipment**	**Total**
Costs				
Balances at beginning of year	**₱963,561,804**	**₱1,072,659,516**	**₱208,978,446**	**₱2,245,199,766**
Additions	**6,986,921**	**–**	**864,321**	**7,851,242**
Transfer to real estate properties for sale (Note 9)	**–**	**(20,227,299)**	**–**	**(20,227,299)**
Balances at end of year	**970,548,725**	**1,052,432,217**	**209,842,767**	**2,232,823,709**
Accumulated Depreciation				
Balances at beginning of year	**–**	**150,485,246**	**48,712,747**	**199,197,993**
Depreciation (Notes 18 and 20)	**–**	**40,718,614**	**13,213,222**	**53,931,836**
Transfer to real estate properties for sale (Note 9)	**–**	**(3,050,528)**	**–**	**(3,050,528)**
Balances at end of year	**–**	**188,153,332**	**61,925,969**	**250,079,301**
Net Book Values	**₱970,548,725**	**₱864,278,885**	**₱147,916,798**	**₱1,982,744,408**

	2018				
	Land	Building	Machinery and Equipment	Construction in Progress	Total
Costs					
Balances at beginning of year	₱951,668,189	₱1,084,193,811	₱208,978,446	₱838,749	₱2,245,679,195
Additions	525,000	–	–	8,591,877	9,116,877
Transfer to real estate properties for sale (Note 9)	–	(11,534,295)	–	–	(11,534,295)
Transfer from real estate properties for future development (Note 10)	11,368,615	–	–	–	11,368,615
Reclassification	–	9,430,626	–	(9,430,626)	–
Transfer to property and equipment (Note 12)	–	(9,430,626)	–	–	(9,430,626)
Balances at end of year	963,561,804	1,072,659,516	208,978,446	–	2,245,199,766
Accumulated Depreciation					
Balances at beginning of year	–	107,140,463	31,253,318	–	138,393,781
Depreciation (Notes 18 and 20)	–	43,344,783	17,459,429	–	60,804,212
Balances at end of year	–	150,485,246	48,712,747	–	199,197,993
Net Book Values	₱963,561,804	₱922,174,270	₱160,265,699	₱–	₱2,046,001,773

Investment properties as of December 31, 2019 and 2018 include the following buildings for lease registered with Philippine Economic Zone Authority (PEZA) which are leased out to third parties:

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

The net book values of land and building include net deemed cost adjustment amounting to ₱158.67 million as of December 31, 2019 and 2018 (see Note 16). The deemed cost adjustment arose when the Group transitioned to PFRSs in 2005.

Based on the appraisal reports by SEC-accredited and independent firms of appraisers using market data and sales comparison approach at various dates in 2019 and 2018, appraised values of these investment properties amounted to ₱4.86 billion and ₱4.52 billion as of dates of appraisal in 2019 and 2018, respectively (see Note 27).

The following are the long-term lease contracts entered into by the Group as of December 31, 2019:

Commencement of lease term	Lessee (Third Parties)	Term
2020	Domestic Corporation	5 years
2020	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2018	BPO	5 years
2018	Domestic Corporation	3 years
2018	Convenience Store	5 years
2018	Domestic Corporation	3 years
2018	Domestic Corporation	3 years
2017	BPO	3 years
2017	Convenience Store	5 years
2017	Fast Food	10 years
2017	Domestic Corporation	5 years
2015	Domestic Corporation	4 years and 4 months
2014	BPO	5 years and 8 months
2011	Fast Food	10 years

The lease contracts include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. There were lease contracts terminated during 2019.

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

	2019	2018
Within one year	**₱124,608,097**	₱97,145,452
After one year but not more than five years	**390,302,174**	161,175,980
Later than five years	**14,306,824**	23,985,920
	₱529,217,095	₱282,307,352

Rent income from investment properties amounted to ₱138.33 million, ₱126.31 million and ₱119.68 million in 2019, 2018, and 2017, respectively (see Note 30).

Direct operating expenses on investment properties pertaining to depreciation, real estate taxes and other expenses amounted to ₱97.58 million, ₱96.19 million and ₱59.68 million in 2019, 2018 and 2017, respectively (see Note 30).

Other lease agreements with third parties are generally for a one-year term renewable every year.

12. Property and Equipment

Property and equipment consist of:

	2019						
	Land	**Building**	**Office Premises**	**Furniture, Fixtures and Office Equipment**	**Transportation and Other Equipment**	**Right-of-use Assets** (Note 25)	**Total**
At Cost							
At January 1, as previously reported	**₱46,526,324**	**₱ 8,649,376**	**₱–**	**₱29,268,716**	**₱5,032,835**	**₱–**	**₱89,477,251**
Effect of adoption of PFRS 16 (Note 2)	–	–	–	–	–	**8,879,228**	**8,879,228**
At January 1, as restated / Balances at end of year	**46,526,324**	**8,649,376**	–	**29,268,716**	**5,032,835**	**8,879,228**	**98,356,479**
Accumulated Depreciation							
Balances at beginning of year	–	**28,831**	–	**24,344,564**	**4,667,341**	–	**29,040,736**
Depreciation (Notes 18 and 20)	–	**345,975**	–	**1,492,806**	**185,878**	**2,557,120**	**4,581,779**
Balances at end of year	–	**374,806**	–	**25,837,370**	**4,853,219**	**2,557,120**	**33,622,515**
Net Book Value	**46,526,324**	**8,274,570**	–	**3,431,346**	**179,616**	**6,322,108**	**64,733,964**
At Deemed Cost							
Balances at beginning and end of year	–	–	**253,365,628**	–	–	–	**253,365,628**
Accumulated Depreciation							
Balances at beginning of year	–	–	**252,956,315**	–	–	–	**252,956,315**
Depreciation (Notes 18 and 20)	–	–	**396,437**	–	–	–	**396,437**
Balances at end of year	–	–	**253,352,752**	–	–	–	**253,352,752**
Net Deemed Cost	–	–	**12,876**	–	–	–	**12,876**
Total	**₱46,526,324**	**₱8,274,570**	**₱12,876**	**₱3,431,346**	**₱179,616**	**₱6,322,108**	**₱64,746,840**

	2018					
	Land	Building	Office Premises	Furniture, Fixtures and Office Equipment	Transportation and Other Equipment	Total
At Cost						
Balances at beginning of year	₱–	₱–	₱–	₱40,108,459	₱6,380,142	₱46,488,601
Transfer from real estate properties held for future development (Note 10)	46,526,324	–	–	–	–	46,526,324
Transfer from investment properties (Note 11)	–	8,649,376	–	781,250	–	9,430,626
Disposal	–	–	–	(11,620,993)	(1,347,307)	(12,968,300)
Balances at end of year	46,526,324	8,649,376	–	29,268,716	5,032,835	89,477,251
Accumulated Depreciation						
Balances at beginning of year	–	–	–	33,727,896	5,713,040	39,440,936
Depreciation (Notes 18 and 20)	–	28,831	–	2,237,661	301,608	2,568,100
Disposal	–	–	–	(11,620,993)	(1,347,307)	(12,968,300)
Balances at end of year	–	28,831	–	24,344,564	4,667,341	29,040,736
Net Book Value	46,526,324	8,620,545	–	4,924,152	365,494	60,436,515
At Deemed Cost						
Balances at beginning and end of year	–	–	253,365,628	–	–	253,365,628
Accumulated Depreciation						
Balances at beginning of year	–	–	249,879,666	–	–	249,879,666
Depreciation (Notes 18 and 20)	–	–	3,076,649	–	–	3,076,649
Balances at end of year	–	–	252,956,315	–	–	252,956,315
Net Deemed Cost	–	–	409,313	–	–	409,313
Total	₱46,526,324	₱8,620,545	₱409,313	₱4,924,152	₱365,494	₱60,845,828

For the office premises, the Group elected to apply the optional exemption under PFRS 1, *First-Time Adoption of PFRS*, to use the revalued amount as deemed cost as at January 1, 2005, the date of transition to PFRSs.

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

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

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

The Group adopted PFRS 16, on January 1, 2019 for its contracts of lease wherein the Group is acting as the lessee. The said leases pertain to lease of office spaces for the period of 2 to 5 years. At the initial recognition, the right-of-use assets were recognized at cost amounting to ₱8.88 million (see Note 2). Subsequently, this is being amortized based on the remaining lease term. The Group recorded as part of "Property and equipment" the right-of-use assets amounting to ₱6.32 million as of December 31, 2019. Depreciation expense related to right-of-use assets amounted to ₱2.56 million for the year ended December 31, 2019 (see Note 20).

Other lease contracts entered by the Group pertain to short-term leases of office space and transportation equipment with rent expense amounting to ₱2.09 million incurred for the year ended December 31, 2019. The Group does not have any lease contracts pertaining to low value assets. Further, the Group does not have any sublease and leaseback transactions. Thus, there were no income arising from sublease, sale and leaseback transaction.

The cost of fully depreciated property and equipment still used in operations amounted to ₱27.57 million and ₱20.43 million as of December 31, 2019 and 2018, respectively.

13. **Other Assets**

Other current assets amounting to ₱40.39 million and ₱44.29 million as of December 31, 2019 and 2018, respectively, consist of input VAT, advances to contractors and prepaid real estate taxes.

Other noncurrent assets consist of:

	2019	2018
Guaranty deposits (Note 26)	**₱257,150,000**	₱257,150,000
Unused input VAT	**32,948,298**	33,109,863
Deposits and others	**14,950,364**	17,174,194
Advances to contractors	**1,244,852**	275,634
Financial assets at FVOCI	**747,611**	1,416,284
	₱307,041,125	₱309,125,975

Guaranty deposits pertain to placements made by Credit and Land Holdings, Inc. (CLHI), an affiliate of the Parent Company, in favor of the Housing and Land Use Regulatory Board (HLURB) wherein the Parent Company is required to secure a cash bond in relation to the construction and development of its ongoing projects (see Note 26). The interest income earned from guaranty deposits amounted to ₱11.57 million and ₱7.64 million in 2019 and 2018 and nil in 2017 (see Notes 21 and 26).

Advances to contractors are advances made by the Group for the contractors' supply requirement whereas deposits and others represent payments made by the Group to various utility companies for the installation of electric and water meters for unsold condominium units.

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

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

In 2019, the Group sold shares of stock with listed corporations resulting to a gain on sale amounting to ₱0.49 million (see Note 23).

The movement in the account presented in the equity section of the consolidated statements of financial position is as follows:

	2019	2018
Balances at beginning of year	**₱598,029**	₱1,251,555
Changes in fair value	**1,313,969**	(653,526)
Balances at end of year	**₱1,911,998**	₱598,029

Mark-to-market loss on financial assets at FVOCI pertaining to the non-controlling interests amounted to ₱0.06 million and ₱0.11 million in 2019 and 2018, respectively.

Dividend income from financial assets at FVOCI and available-for-sale financial assets amounted to ₱23,157, ₱21,823 and ₱22,824 in 2019, 2018 and 2017, respectively (see Note 21).

14. **Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of:

	2019	2018
Trade payables	**₱85,546,857**	₱92,358,444
Customers' deposits	**67,729,323**	34,194,907
Accrued expenses:		
Development costs	**189,894,653**	58,515,131
Directors' fee (Note 26)	**48,079,977**	25,428,867
Sick leave (Note 24)	**36,597,132**	25,289,961
Interest payable	**2,722,641**	6,007,542
Taxes, premiums, others	**663,786**	835,119
Deferred rent income	**36,516,320**	12,837,989
Dividends payable	**12,743,703**	11,900,913
Withholding taxes payable	**8,431,926**	12,334,862
Lease liabilities (Note 25)	**6,815,350**	–
Due to related parties (Note 26)	**3,438,858**	1,843,451
Others	**9,203,865**	7,457,292
	508,384,391	289,004,478
Less noncurrent portion	**156,825,877**	122,909,362
Current portion	**₱351,558,514**	₱166,095,116

Trade payables consist of payables to suppliers, contractors and other counterparties. Customers' deposits consist of buyers' reservation fees, rental deposits and collected deposits for water and electric meters of the sold units. Accrued development costs represent the corresponding accrued expenses for the completed condominium units of the Group. Deferred rent income pertains to rent received from long-term operating lease. Other payables consist substantially of commissions payable, unclaimed checks of pension holders, and payables due to government agencies.

Lease liabilities pertain to the present value of the lease payments that are not yet paid during the remaining lease period. Interest expense related to the lease liabilities amounted to ₱0.56 million in 2019 (see Note 22). There were no expenses relating to variable lease payments that were not included in the measurement of lease liabilities.

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

The following are the amounts recognized in 2019 consolidated statement of income:

Depreciation expense of right-of-use assets included in property and equipment (Note 12)	₱2,557,120
Interest expense on lease liabilities (Note 22)	557,387
Total amount recognized in consolidated statement of income	₱3,114,507

The rollforward analysis of lease liabilities in 2019 follows:

As at January 1, 2019, as previously stated	₱–
Effect of adoption of PFRS 16 (see Note 2)	8,879,228
At January 1, 2019, as restated	8,879,228
Interest expense (Note 22)	557,387
Payment	(2,621,265)
As at December 31, 2019	₱6,815,350

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

	2019	2018
1 year	₱2,621,265	₱ 961,147
More than 1 year to 2 years	2,693,868	2,621,265
More than 2 years to 3 years	1,920,875	2,693,868
More than 3 years to 4 years	2,112,963	1,920,875
More than 5 years	915,063	3,028,026

Other payables consist of deferred credit and payable to employees.

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

			Payments		
	January 1, 2019	**Additions**	**Expensed**	**Capitalized**	**December 31, 2019**
Dividends payable (Note 16)	**₱11,900,913**	**₱216,712,757**	**(₱215,869,967)**	**₱–**	**₱12,743,703**
Accrued interest (Note 15)	**6,007,542**	**44,119,958**	**(18,264,901)**	**(29,139,958)**	**2,722,641**
	₱17,908,455	**₱260,832,715**	**(₱234,134,868)**	**(29,139,958)**	**₱15,466,344**

			Payments		
	January 1, 2018	Additions	Expensed	Capitalized	December 31, 2018
Dividends payable (Note 16)	₱11,050,680	₱137,328,312	(₱136,478,079)	₱–	₱11,900,913
Accrued interest (Note 15)	2,398,253	24,673,384	(11,569,064)	(9,495,031)	6,007,542
	₱13,448,933	₱162,001,696	(₱148,047,143)	(₱9,495,031)	₱17,908,455

15. Notes and Contracts Payable

The details of notes and contracts payable are as follows:

	2019	2018
Notes payable	**₱1,196,050,000**	₱1,358,050,000
Contracts payable	–	7,497,992
	₱1,196,050,000	₱1,365,547,992

Notes payable pertain to commercial papers with varying maturities ranging from 30 to 365 days and annual interest rates ranging from 1.19% to 3.81% and 1.31% to 5.00% as of December 31, 2019 and 2018, respectively.

On October 23, 2019, the SEC authorized the Parent Company to issue a total of ₱1.40 billion worth of commercial papers registered with SEC. On the other hand, CLDI no longer applied for a new Certificate of Permit to Offer Securities for Sale for the year 2019. All outstanding commercial papers issued were paid to the investors on or before November 6, 2019.

On various dates in 2018, the SEC authorized the Parent Company and CLDI to issue total aggregated amount of ₱1.75 billion worth of commercial papers registered with the SEC in accordance with the provision of the Securities Regulation Code and its implementing rules and regulations and other applicable laws and orders.

Outstanding commercial papers issued by the Parent Company and CLDI as of December 31, 2019 and 2018 aggregated to ₱1.20 billion and ₱1.36 billion, respectively.

The movements in notes payable are as follows:

	2019	2018
Beginning balance	**₱1,358,050,000**	₱1,453,450,000
Availment	**5,979,800,000**	6,088,050,000
Payment	**(6,141,800,000)**	(6,183,450,000)
Ending balance	**₱1,196,050,000**	₱1,358,050,000

Interest expense related to notes payable amounted to ₱43.12 million, ₱23.88 million and ₱18.50 million in 2019, 2018 and 2017, respectively (see Note 22). Capitalized borrowing costs amounted to ₱29.14 million, ₱9.49 million and ₱10.33 million in 2019, 2018 and 2017, respectively (see Notes 9, 11 and 22). Total interest paid amounted to ₱47.40 million, ₱21.06 million and ₱19.18 million in 2019, 2018 and 2017, respectively.

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

The Parent Company has specific credit lines amounting to ₱500.00 million in 2019 and 2018. As of December 31, 2019 and 2018, no loans were availed from the credit line.

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

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

Contracts payable amounting to ₱7.50 million as of December 31, 2018, represents liability arising from a contract entered into by CLDI to purchase land for future development (see Note 10).

The movements in contract payable are as follows:

	2019	2018
Beginning balance	**₱7,497,992**	₱–
Cost adjustment (Note 10)	**(7,497,992)**	–
Availment	–	482,000,000
Payment	–	(474,502,008)
Ending balance	**₱–**	₱7,497,992

16. **Equity**

a. The Parent Company registered 10,000,000 shares with the SEC on June 15, 1978 with an initial offer price of ₱10.00. On July 27, 2012, the SEC approved the Amended Articles of Incorporation on the application for increase in authorized capital stock from ₱3.00 billion to ₱4.00 billion with a par value of ₱1.00 each. As of December 31, 2019 and 2018, the Parent Company has 4,405,677,031 shares held by 655 equity holders and 3,940,001,648 shares held by 661 equity holders, respectively.

   On the special stockholders' meeting held last October 5, 2018, the stockholders representing two-thirds (2/3) of the outstanding capital stock approved and ratified the declaration of 6.5% stock dividends which shall come from the unappropriated retained earnings as of December 31, 2017 through an increase in authorized capital stock of One Billion (1,000,000,000) shares with par value of One Peso (₱1.00). The application for the increase in authorized capital stock was approved by the SEC last March 14, 2019 thereby increasing the Parent Company's authorized capital stock to 5,000,000,000 shares with par value of One Peso (₱1.00).

The above declaration amends the previously 5% stock dividends declared by the Board of Directors last May 2, 2018 and approved by stockholders last June 5, 2018. On July 20, 2018 after initial assessment of SEC on the Parent Company's application of increase in authorized capital stock of One Billion (1,000,000,000) shares, the Board resolved and approved the cancellation of the Parent Company's application with SEC to increase the percentage of stock dividends and set a special stockholders' meeting.

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

	2019		2018		2017	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized shares- ₱1 par value						
Beginning of year	**4,000,000,000**	**₱4,000,000,000**	4,000,000,000	₱4,000,000,000	4,000,000,000	₱4,000,000,000
Increase in authorized capital stock	**1,000,000,000**	**1,000,000,000**	–	–	–	–
End of the year	**5,000,000,000**	**₱5,000,000,000**	4,000,000,000	₱4,000,000,000	4,000,000,000	₱4,000,000,000
Issued, beginning of year	**3,940,001,648**	**₱3,940,001,648**	3,940,001,648	₱3,940,001,648	3,752,475,115	₱3,752,475,115
Treasury shares	**(4,506,165)**	**(4,506,165)**	(4,234,588)	(4,234,588)	(4,234,588)	(4,234,588)
Outstanding	**3,935,495,483**	**3,935,495,483**	3,935,767,060	3,935,767,060	3,748,240,527	3,748,240,527
Stock dividends	**465,675,383**	**465,675,383**	–	–	187,526,533	187,526,533
	4,401,170,866	**4,401,170,866**	3,935,767,060	3,935,767,060	3,935,767,060	3,935,767,060
Treasury stock	**4,506,165**	**4,506,165**	4,234,588	4,234,588	4,234,588	4,234,588
Issued, end of year	**4,405,677,031**	**₱4,405,677,031**	3,940,001,648	₱3,940,001,648	3,940,001,648	₱3,940,001,648

Treasury stock includes 2,568,218 and 2,296,641 shares as of December 31, 2019 and 2018, respectively, held by CPI.

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

Dividends	BOD Approval Date	Stockholders' Approval Date	Per Share	Stockholders of Record Date	Date Issued/Paid
Cash	May 30, 2019	–	₱0.0450	June 17, 2019	June 28, 2019
	May 8, 2018	–	0.0301	May 23, 2018	June 07, 2018
	May 23, 2017	–	0.0360	June 6, 2017	June 22, 2017
Stock	April 25, 2019	June 6, 2019	5%	July 5, 2019	July 31, 2019
	September 5, 2018	October 5, 2018	6.5%	April 12, 2019	May 10, 2019
	April 27, 2017	June 6, 2017	5%	July 6, 2017	August 1, 2017

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

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

In the special meeting held on April 25, 2019, the Board of Directors approved the declaration of 5% stock dividends to stockholders of record as of record as of July 5, 2019 and was distributed on July 31, 2019. This was approved and ratified by the stockholders during the Annual Stockholders' Meeting last June 6, 2019. The record date of the said meeting was on May 6, 2019.

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

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

	2019	2018
Real estate properties for sale (Note 9)	**₱5,858,171**	₱22,101,614
Investment properties (Note 11)	**158,666,021**	158,666,021
Property and equipment (Note 12)	**10,142**	323,610
Deemed cost adjustment	**164,534,334**	181,091,245
Deferred income tax liability (Note 25)	**(49,360,300)**	(54,327,373)
Net deemed cost adjustment	**₱115,174,034**	₱126,763,872

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

	2019	2018
Attributable to:		
Equity holders of the Parent Company	**₱109,229,417**	₱120,819,255
Non-controlling interest	**5,944,617**	5,944,617
	₱115,174,034	₱126,763,872

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

	2019	2018
Undistributed earnings of subsidiaries	**₱1,153,656,386**	₱1,085,689,025
Net deemed cost adjustment in properties	**115,174,034**	126,763,872
Cost of treasury shares	**31,429,574**	31,429,574
Deferred income tax assets (Note 25)	**49,256,030**	36,746,681
Fair value adjustment arising from repossessed inventories	**18,938,304**	20,056,219
	₱1,368,454,328	₱1,300,685,371

17. Material Partly Owned Subsidiary

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

Proportion of equity interest held by non-controlling interests as of December 31, 2019 and 2018:

CLDI	50.27%
CPI	9.19%

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

	CLDI		CPI	
	2019	2018	**2019**	2018
Total assets	**₱2,447,174,383**	₱2,494,404,536	**₱352,829,886**	₱337,216,148
Total liabilities	**284,498,115**	446,281,674	**54,949,308**	52,374,188
Equity	**2,162,676,268**	2,048,122,862	**297,880,578**	284,841,960
Attributable to non-controlling interests	**1,084,263,042**	1,026,677,110	**31,203,911**	29,482,992

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

	CLDI		CPI	
	2019	2018	**2019**	2018
Revenue	**₱630,232,431**	₱512,812,865	**₱53,620,818**	₱59,617,149
Expenses	**392,770,409**	312,825,180	**37,686,090**	38,948,016
Provision for income tax	**61,754,897**	50,284,869	**4,149,234**	5,216,328
Net income	**175,707,125**	149,702,816	**11,785,494**	16,436,485
Attributable to non-controlling interests	**88,327,972**	75,255,605	**1,083,087**	1,510,513
Cash dividends paid to non-controlling interest	**28,584,854**	19,193,667	**494,354**	331,940

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

	CLDI		CPI	
	2019	2018	**2019**	2018
Net income	**₱175,707,125**	₱149,702,816	**₱11,785,494**	₱16,436,485
Other comprehensive income (loss)	**(4,291,010)**	1,028,596	**1,253,124**	(3,391,253)
Total comprehensive income	**171,416,115**	150,731,412	**13,038,618**	13,045,232
Attributable to non-controlling interests	**86,170,881**	75,772,680	**1,226,470**	1,477,476

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

	CLDI		CPI	
	2019	2018	**2019**	2018
Cash flows from (used in) operating activities	**(₱121,630,353)**	(₱407,507,324)	**₱22,573,859**	₱28,833,285
Cash flows from (used in) investing activities	**526,671,467**	306,515,056	**(38,966,369)**	(12,360,865)
Cash flows from (used in) financing activities	**(251,671,065)**	3,648,928	**–**	–

18. **Operating Expenses**

Operating expenses consist of:

	2019	2018	2017
Personnel (Note 19)	**₱214,416,894**	₱203,213,371	₱163,542,903
Taxes and licenses	**73,297,002**	65,190,820	42,439,179
Professional fees	**68,986,969**	41,234,647	34,691,331
Depreciation (Note 20)	**58,910,052**	66,448,961	38,560,608
Light, power and water	**26,953,219**	24,536,017	16,342,968
Insurance	**23,524,960**	23,239,369	18,329,482
Outside services	**18,652,995**	21,569,786	16,940,127
Repairs and maintenance	**11,830,882**	10,900,036	6,319,031
Brokers' commission	**10,635,345**	7,486,386	6,392,024
Membership dues	**6,172,508**	6,856,433	8,238,928
Donations	**5,025,000**	2,405,000	2,555,000
Advertising and promotions	**3,760,884**	5,437,116	7,040,061
Postage, telephone and telegraph	**2,633,746**	2,884,953	2,108,232
Rent expense	**2,086,328**	5,619,065	4,825,052
Stationery and office supplies	**1,793,594**	2,256,084	1,797,568
Others	**19,670,302**	23,466,666	11,167,153
	₱548,350,680	₱512,744,710	₱381,289,647

Others include transportation and miscellaneous expenses.

19. Personnel Expenses

Personnel expenses consist of:

	2019	2018	2017
Salaries and wages	**₱99,941,282**	₱95,641,656	₱67,192,578
Bonuses and other employee benefits	**66,368,261**	55,822,341	56,582,132
Commissions	**44,888,811**	48,809,316	37,457,346
Retirement benefits cost (Note 24)	**3,218,540**	2,940,058	2,310,847
	₱214,416,894	₱203,213,371	₱163,542,903

20. Depreciation

Depreciation consists of:

	2019	2018	2017
Investment properties (Note 11)	**₱53,931,836**	₱60,804,212	₱33,347,801
Property and equipment (Note 12)	**4,978,216**	5,644,749	5,212,807
	₱58,910,052	₱66,448,961	₱38,560,608

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

21. Financial Income

Financial income consists of:

	2019	2018	2017
Interest income from:			
Installment contracts receivable and contract assets (Note 6)	**₱344,960,962**	₱262,398,837	₱248,761,340
Cash equivalents and short-term and long-term investments (Note 4)	**154,022,166**	83,326,412	67,267,529
Guaranty deposits (Notes 13 and 26)	**11,571,750**	7,641,128	–
Notes receivable (Note 7)	**1,437,111**	29,158,034	12,077,708
Cash in banks (Note 4)	**77,376**	293,967	70,942
Dividend income (Note 13)	**23,157**	21,823	22,824
	₱512,092,522	₱382,840,201	₱328,200,343

22. Financial Expenses

Financial expenses consist of:

	2019	2018	2017
Interest expense on notes payable (Note 15)	**₱43,115,266**	₱23,881,596	₱18,500,444
Less capitalized borrowing costs (Notes 9, 11 and 15)	**29,139,958**	9,495,031	10,322,367
	13,975,308	14,386,565	8,178,077
Finance charges	**2,138,200**	1,562,050	1,229,650
Interest expense on security deposits	**1,004,692**	790,547	553,394
Interest expense on lease liabilities (Note 14)	**557,387**	–	–
Others	–	1,241	–
	₱17,675,587	₱16,740,403	₱9,961,121

23. Other Income/Expenses

Other income
Other income amounting to ₱126.74 million, ₱83.98 million and ₱84.78 million in 2019, 2018 and 2017, respectively, pertains to trust fund income, penalties for buyers' late payments, sale of scraps, gain on sale of shares of stock and forfeiture of reservations/downpayments received on sales which were not consummated.

Other expenses
Other expenses amounting to ₱22.42 million, ₱29.98 million and ₱26.98 million in 2019, 2018 and 2017, respectively, pertain to loss due to forfeiture/cancellation of sales.

24. Employee Benefits

Under the existing regulatory framework, Republic Act 7641, *The Philippine Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employees retirement benefit under the collective bargaining and other agreements shall not be less than provided under the law. The law does not require minimum funding of the plan.

Retirement benefits cost
The Group, jointly with affiliated companies, has a funded, noncontributory defined benefit retirement plan, covering all of its permanent employees. This provides for payment of benefits to covered employees upon retirement subject to certain condition which is based on a certain percentage of the employee's final monthly salary and the number of years of service.

The fund is administered by a third-party trustee bank under the supervision of the Retirement Committee of the plan who is responsible for the investment strategy of the plan.

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

	2019	2018	2017
Current service cost	**₱4,597,823**	₱3,427,863	₱2,618,861
Net interest income on net defined benefit obligation	**(1,379,283)**	(487,805)	(308,014)
Net retirement benefits cost	**₱3,218,540**	₱2,940,058	₱2,310,847

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

	2019	2018	2017
Actuarial loss (gain) on defined benefit obligation:			
Due to experience adjustments	**(₱572,699)**	₱3,724,267	₱1,057,054
Due to change in financial assumption	**18,407,533**	(5,067,003)	(3,247,966)
Actuarial loss (gain) on plan assets excluding amounts included in net interest cost	**(2,593,672)**	(7,953,480)	871,082
Re-measurement loss (gain)	**15,241,162**	(9,296,216)	(1,319,830)
Tax effect (Note 25)	**(4,572,349)**	2,788,865	395,949
	₱10,668,813	(₱6,507,351)	(₱923,881)

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

	2019	2018
Present value of defined benefit obligation	**₱87,167,487**	₱61,167,957
Fair value of plan assets	**90,176,200**	79,869,797
Net retirement plan assets	**₱3,008,713**	₱18,701,840

The breakdown of net retirement plan assets (liability) per company as of December 31 per entity follows:	2019	2018
Net retirement plan assets:		
Parent Company	**₱10,939,905**	₱21,659,561
CPI	**383,280**	686,099
	11,323,185	22,345,660
Net retirement benefits liability - CLDI	**(8,314,472)**	(3,643,820)
Net retirement plan assets	**₱3,008,713**	₱18,701,840

Changes in net retirement plan assets are as follows:

	2019	2018
Beginning balances	**₱18,701,840**	₱8,650,512
Retirement benefits cost	**(3,218,540)**	(2,940,058)
Re-measurement gain (loss)	**(15,241,162)**	9,296,216
Contributions	**2,766,575**	3,695,170
Ending balances	**₱3,008,713**	₱18,701,840

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

	2019	2018
Defined benefit obligation, January 1	**₱61,167,957**	₱56,483,069
Current service cost	**4,597,823**	3,427,863
Interest cost on benefit obligation	**4,514,475**	3,185,323
Benefits paid	**(947,602)**	(585,562)
Actuarial gains (losses)	**17,834,834**	(1,342,736)
Defined benefit obligation, December 31	**₱87,167,487**	₱61,167,957

Changes in fair value of plan assets are as follows:

	2019	2018
Fair value of plan assets, January 1	**₱79,869,797**	₱65,133,581
Interest income	**5,893,758**	3,673,128
Actuarial gain excluding amount recognized in net interest cost	**2,593,672**	7,953,480
Contributions to the plan	**2,766,575**	3,695,170
Benefits paid	**(947,602)**	(585,562)
Fair value of plan assets, December 31	**₱90,176,200**	₱79,869,797

The major categories of plan assets of the Group with its affiliated companies as a percentage of the fair value of net plan assets are as follows:

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

Cash and cash equivalents consist of savings deposits and short-term time deposits with maturities of less than three months. Investment properties pertain to condominium units which are held for lease and are stated at fair value. Investments in equity securities consist of investment in shares of stock of listed companies with quoted market prices in an active market. Loans and receivables include loans to individuals and accrued interest income.

The Group expects to contribute ₱1.85 million to the retirement fund in 2020.

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

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

	2019	2018
Discount rate per annum	**7.30%-7.39%**	5.62%-5.64%
Future annual increase in salary	**5.00%**	4.00%
Mortality rate	**1994 GAM***	1994 GAM*
Disability rate	**1952 Disability Study**	1952 Disability Study

**Group Annuity Mortality Table*

As of December 31, 2019, the discount rate is 4.87% - 5.02% and the future increase in salary is 5.00%

The defined benefit obligation is subject to several key assumptions. The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019 and 2018, assuming all other assumptions were held constant.

	Increase (decrease) in basis points (bps)	Increase (decrease) in defined benefit obligation	
		2019	2018
Discount rate	+0.50%	**(₱4,589,332)**	(₱3,007,426)
	-0.50%	**5,059,184**	3,272,989
Salary increase rate	+1.00%	**10,216,025**	6,715,231
	-1.00%	**(8,595,768)**	(5,776,017)

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

Plan year	No. of Retirees	Total Benefit
One year and less	–	₱–
More than one year to five years	8	22,227,286
More than five years to 10 years	21	64,718,322
More than 10 years to 15 years	19	54,076,987
More than 15 years to 20 years	16	69,819,444
More than 20 years	161	820,711,919
	225	₱1,031,553,958

The average duration of the defined benefit obligation as of December 31, 2019 is 21.33 years.

Accrued sick leave
Employees are entitled to paid sick leave of 15 days per year of service after issuance of regular appointment, computed at 1.25 days per month of service, enjoyable only after one year of regular service. Unused sick leaves are cumulative and convertible to cash based on the employee's salary at the time that the employee is leaving the Group. Accrued sick leave, presented under "Accounts payable and accrued expenses - noncurrent portion" account, amounted to ₱36.60 million and ₱25.29 million as of December 31, 2019 and 2018, respectively (see Note 14).

25. **Income Taxes**

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

	2019	2018	2017
Current	**₱180,484,824**	₱153,720,734	₱135,423,923
Deferred	**(4,999,890)**	(51,968,577)	(17,078,412)
	175,484,934	101,752,157	118,345,511
Final tax on interest income	**33,421,681**	24,083,908	15,883,236
	₱208,906,615	₱125,836,065	₱134,228,747

b. The components of net deferred income tax assets (liabilities) are as follows:

	2019	2018
Deferred income tax assets on:		
Accrued expenses	**₱25,377,591**	₱15,215,650
Difference between tax basis and book basis of accounting for real estate transactions	**17,466,151**	20,179,513
Actuarial loss on defined benefit plan	**12,354,800**	7,782,451
Unearned rent revenue	**4,830,241**	–
Unamortized past service cost	**1,434,074**	1,351,518
Lease liabilities (Note 12 and 14)	**147,973**	–
	61,610,830	44,529,132
Deferred income tax liabilities on:		
Deemed cost adjustment in properties (Note 16)	**(49,360,300)**	(54,327,373)
Capitalized borrowing costs	**(18,525,185)**	(10,898,843)

(Forward)

	2019	2018
Net retirement plan assets	**(₱13,257,408)**	(₱13,393,003)
Cost to obtain contract (Notes 6)	**(11,237,790)**	(9,920,776)
Unearned rent revenue	–	(1,124,394)
	(92,380,683)	(89,664,389)
Net deferred income tax liabilities	**(₱30,769,853)**	(₱45,135,257)

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

	2019	2018
Deferred income tax assets - net: CLDI	**₱8,192,586**	₱8,453,231
Deferred income tax liabilities - net:		
Parent Company	**(35,065,780)**	(51,480,857)
CPI	**(3,896,659)**	(2,107,631)
	(38,962,439)	(53,588,488)
	(₱30,769,853)	(₱45,135,257)

Provision for (benefit from) deferred income tax recognized in other comprehensive income amounted to (₱4.57 million) and ₱2.79 million in 2019 and 2018, respectively (see Note 24). Benefit from deferred income tax recognized in retained earnings amounted to ₱4.79 million and ₱8.12 million in 2019 and 2018, respectively.

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

	2019	2018	2017
Income tax at statutory tax rate	**₱282,913,949**	₱226,230,418	₱205,847,599
Adjustments to income tax resulting from:			
Tax-exempt interest income	**(46,130,828)**	(41,878,188)	(37,770,939)
Net income under income tax holiday (Note 31)	**(24,008,947)**	(51,138,863)	(29,683,340)
Interest income subjected to final tax	**(50,132,521)**	(36,125,862)	(23,824,854)
Final tax on interest income	**33,421,681**	24,083,908	15,883,236
Nondeductible interest expense	**13,235,987**	6,954,516	5,550,433
Trust fund income already subjected to final tax	**(560,162)**	(516,061)	(685,512)
Nontaxable dividend income	**(6,947)**	(6,547)	(6,847)
Others - net	**174,403**	(1,767,256)	(1,081,029)
Provision for income tax	**₱208,906,615**	₱125,836,065	₱134,228,747

26. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group discloses the nature of the related party relationship and information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the consolidated financial statements, including, as a minimum, the amount of outstanding balances and its terms and conditions including whether they are secured, and the nature of the consideration to be provided in settlement.

The Group, in the normal course of business, has transactions and account balances with related parties consisting mainly of the following:

				Outstanding Balances				
	Amount of Transactions			Receivable (Note 8)		Payable (Note 14)		Terms and
Nature of Transaction	**2019**	2018	2017	**2019**	2018	**2019**	2018	Conditions
Ultimate parent (CI)								
Sharing of expenses charged by the Parent Company* (Note 26c)	**(₱1,595,407)**	(₱2,861,306)	₱1,017,855	**₱–**	₱–	**₱3,438,858**	₱1,843,451	30-day, unsecured, non-interest bearing; to be settled in cash
CLHI								
Interest income from guaranty deposits (Note 26g)	**11,571,750**	7,641,128	–	**1,484,203**	1,484,203	**–**	–	Settled in cash
Retirement Plans (Note 26d)								
Contributions to the plans	**2,766,575**	3,695,170	3,695,170	**–**	–	**–**	–	Settled in cash
Key management personnel								
Salaries and other compensation (Note 26f)	**25,892,840**	29,231,206	19,561,041	**–**	–	**48,079,977**	25,428,867	Settled in cash
BOD								
Shares of stock held by BOD (Note 26e)	**(81,986,910)**	(181,100,608)	9,733,427	**–**	–	**–**	–	Pertains to 773,027,976 and 691,041,066 common shares at ₱1 par value in 2019 and 2018, respectively
Total				**₱1,484,203**	₱1,484,203	**₱51,518,835**	₱27,272,318	

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

The transactions of the Parent Company with CLDI and CPI are eliminated in the consolidated statements of financial positions and consolidated statements of income.

a. The Group has an existing management contract with CI wherein the latter provides management services to the Group. The agreement is for a period of five years renewable automatically for another five years unless either party notifies the other party six months prior to expiration. Management fee is based on a certain percentage of net income as mutually agreed upon by both parties. Management fees for 2019, 2018 and 2017 were waived by CI. There are no conditions attached to the waiver of these management fees.

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

c. The Group has various shared expenses with other affiliates pertaining to general and administrative expenses such as salaries, transportation, association dues, professional fees and rent.

d. The Group, jointly with affiliated companies under common control, has a trust fund for the retirement plan of their employees. The trust fund is being maintained by a third-party trustee bank under the supervision of the Retirement Committee of the plan who is responsible for the investment strategy of the plan. The Group's share on the fair value of plan assets amounted to ₱90.18 million and ₱79.87 million as of December 31, 2019 and 2018, respectively.

The major categories of plan assets are cash and cash equivalents, investments in equity securities, loans and receivables and investment properties (see Note 24). Investments in equity securities of plan assets include investment in shares of the Parent Company. The third-party trustee bank exercises the voting rights over the shares. The fair value of the investment in the Parent Company amounted to ₱4.84 million and ₱4.43 million as of December 31, 2019 and 2018, respectively, with original cost of ₱3.40 million and ₱3.16 million, respectively. Unrealized gain on changes of fair value of these investments amounted to ₱1.45 million and ₱1.28 million as of December 31, 2019 and 2018, respectively. Loans and receivables of plan assets include installment contracts receivable purchased in prior years on a non-recourse basis from the Parent Company amounting to nil and ₱0.11 million as of December 31, 2019 and 2018, respectively. The retirement plan assets as of December 31, 2019 and 2018 include fair value of investment properties held for lease amounting to ₱54.04 million and ₱48.99 million which was purchased from CDC in 2013. The sale was conducted in the normal course of business and was measured at current selling price and settled in cash.

Contributions to the fund amounted to ₱2.77 million and ₱3.70 million in 2019 and 2018 (see Note 24).

e. The Parent Company's shares held by members of the BOD aggregated to ₱773.03 million and ₱691.04 million as of December 31, 2019 and 2018, respectively. On the other hand, shares held by the ultimate parent and affiliate totaled ₱2.24 billion and ₱2.01 billion as of December 31, 2019 and 2018, respectively.

f. Compensation of key management personnel are as follows:

	2019	2018	2017
Short-term benefits:			
Salaries	**₱9,665,969**	₱9,122,990	₱6,058,838
Bonuses	**2,466,921**	2,355,811	1,547,799
Other benefits	**11,790,804**	16,416,376	11,032,704
Long-term benefits	**1,969,146**	1,336,029	921,700
	₱25,892,840	₱29,231,206	₱19,561,041

Other benefits consist of incentives and performance bonuses.

The Group has no standard arrangements with regard to the remuneration of its directors. In 2019, 2018 and 2017, the BOD received a total of ₱38.72 million, ₱23.52 million and ₱20.43 million, respectively. Moreover, the Group has no standard arrangement with regard to the remuneration of its existing officers aside from the compensation received or any other arrangements in the employment contracts and compensatory plan. The Group does not have any arrangements for stock warrants or options offered to its employees.

g. In 2018, the Parent Company through its affiliate - Credit and Land Holdings, Inc., issued a cash bond amounting ₱257.15 million in favor of HLURB in relation to the construction and development of its ongoing projects which was recorded as guaranty deposit under "Other noncurrent assets". The said amount was placed by CLHI to a financial institution with a maturity of five (5) years. Interest income earned amounted to ₱11.57 million in 2019, ₱7.64 million in 2018 and nil in 2017 (see Notes 8 and 13).

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

Amounts owed by	Amounts owed to	Nature	2019	2018
Parent Company	CLDI	Sharing of expenses	**₱–**	₱424,763
CLDI	Parent Company	Sharing of expenses	**285,978**	246,301
CPI	CLDI	Sharing of expenses	**–**	186,765
CPI	CLDI	Sale of real estate properties	**150,000**	150,000

Revenue and income by	Capitalizable cost and expense by	Nature	2019	2018	2017
Parent Company	CLDI	Interest charges on advances	**₱–**	₱1,800	₱–
CLDI	CPI	Sale of real estate properties	**–**	2,070,283	2,899,561

Investee	Investor	Nature	2019	2018	2017
Parent Company	CPI	Shares of stock	**₱2,182,985**	₱1,998,078	₱2,687,070
CLDI	CPI	Shares of stock	**9,584,779**	10,076,762	12,419,540

Dividend declared to	Dividend declared by	2019	2018	2017
Parent Company	CLDI	**₱28,277,796**	₱18,987,490	₱7,996,028
CPI	Parent Company	**110,066**	69,129	78,740

27. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, short-term and long-term investments, notes receivable and notes payable, and contracts payable. The main purpose of these financial instruments is to finance the Group's operations. The Group's other financial instruments consist of financial assets at fair value through profit or loss and financial assets at FVOCI, which are held for investing purposes and investments in trust funds to cover pre-need reserves obligation. The Group has various other financial instruments such as installment contracts receivable, other receivables and accounts payable and accrued expenses which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk (i.e., cash flow interest rate risk and equity price risk), credit risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

Market risk

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's short-term notes payable, all with repriced interest rates.

The Group's policy in addressing volatility in interest rates includes maximizing the use of operating cash flows to be able to fulfill principal and interest obligations even in periods of rising interest rates.

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates based on forecasted and average movements of interest rates (with all other variables held constant):

	Change in bps	Effect on Income before Income Tax
December 31, 2019	**+/-21 bps**	**+/-₱25,779,662**
December 31, 2018	+/-6 bps	+/-₱8,730,903

There is no impact on the Group's equity other than those already affecting income before income tax.

Equity price risk
Equity price risk is the risk that the fair values of investments in equity securities will decrease as a result of changes in the market values of individual shares of stock. The Group is exposed to equity price risk because of investments held by the Group classified as financial assets at FVOCI/available-for-sale financial assets included under "Other noncurrent asset account" in the consolidated statements of financial position. The Group employs the service of a third-party stockbroker to manage its investments in shares of stock.

The following table demonstrates the sensitivity analysis of the Group's equity to a reasonably possible change in equity price based on forecasted and average movements of equity prices (with all other variables held constant):

	Change in equity price	Effect on equity
2019	**+/-₱0.20**	**+/-₱140,984**
2018	+/-₱0.08	+/-₱106,348

Credit risk
Credit risk arises when the Group will incur a loss because its buyers, clients or counterparties fail to discharge their obligations. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all buyers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the objective that the Group's exposure to bad debts is not significant. The risk is further mitigated because the Group holds the title to the real estate properties with outstanding installment contracts receivable balance and the Group can repossess such real estate properties upon default of the buyer in paying the outstanding balance. The Group's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. There are no significant concentrations of credit risk within the Group.

The tables on the next page show the Group's exposure to credit risk for the components of the consolidated statements of financial position. The exposure as of December 31, 2019 and 2018 is shown at gross, before taking the effect of mitigation through the use of collateral agreements and other credit enhancements, and at net, after taking the effect of mitigation through the use of collateral agreements and other credit enhancements.

December 31, 2019:

	Gross maximum exposure	**Fair value of collaterals**	**Net exposure**	**Financial effect of collateral/credit enhancements**
Financial assets				
Investments in trust funds	**₱36,750,063**	**₱–**	**₱36,750,063**	**₱–**
Cash and cash equivalents, excluding cash on hand	**1,933,662,231**	**–**	**1,933,662,231**	**–**
Short-term investments	**397,950,000**	**–**	**397,950,000**	**–**
Long-term investments	**395,000,000**	**–**	**395,000,000**	**–**
Installment contracts receivable	**41,171,092**	**218,290,695**	**–**	**41,171,092**
Notes receivable	**200,000,000**	**–**	**200,000,000**	**–**
Guaranty deposit	**257,150,000**	**–**	**257,150,000**	**–**
Refundable deposits	**14,033,989**	**–**	**14,033,989**	**–**
Other receivables:				
Rent receivable	**14,299,254**	**–**	**14,299,254**	**–**
Accrued interest	**14,195,028**	**–**	**14,195,028**	**–**
Advances to customers	**12,161,246**	**–**	**12,161,246**	**–**
Retention	**2,842,091**	**–**	**2,842,091**	**–**
Advances to condominium corporations	**634,407**	**–**	**634,407**	**–**
Others	**323,117**	**–**	**323,117**	**–**
Contract assets	**2,122,155,799**	**4,947,709,799**	**–**	**2,122,155,799**
Total credit risk exposure	**₱5,442,328,317**	**₱5,166,000,494**	**₱3,279,001,426**	**₱2,163,326,891**

December 31, 2018:

	Gross maximum exposure	Fair value of collaterals	Net exposure	Financial effect of collateral/credit enhancements
Financial assets				
Investments in trust funds	₱35,432,151	₱–	₱35,432,151	₱–
Cash and cash equivalents, excluding cash on hand	470,116,732	–	470,116,732	–
Short-term investments	1,590,100,000	–	1,590,100,000	–
Installment contracts receivable	31,015,195	232,898,990	–	31,015,195
Notes receivable	916,500,000	–	916,500,000	–
Guaranty deposit	257,150,000	–	257,150,000	–
Refundable deposits	16,207,818	–	16,207,818	–
Other receivables:				
Rent receivable	14,268,276	–	14,268,276	–
Accrued interest	21,286,634	–	21,286,634	–
Advances to customers	14,091,443	–	14,091,443	–
Retention	1,462,366	–	1,462,366	–
Advances to condominium corporations	2,702,022	–	2,702,022	–
Due from BIR	3,774,771	–	3,774,771	–
Others	371,306	–	371,306	–
Contract assets	2,046,036,531	3,980,545,609	–	2,046,036,531
Total credit risk exposure	₱5,420,515,245	₱4,213,444,599	₱3,343,463,519	₱2,077,051,726

The Group has performed an expected credit loss (ECL) calculation for its financial assets at amortized cost. The expected credit loss is a product of the probability of default, loss given default and exposure at default.

In determining the probability of default, the Group used historical default rates for the last five years for the installment sales from its buyers and last two years for other receivables. The Group applied the possible effects of macroeconomic factors to the historical loss rate. For loss given default, the Group determined that the fair value less cost of repossession of collaterals upon default is higher than the exposure at default. Thus, no expected credit loss was recognized for the Group's installment contract receivables, contract assets and other receivables from its buyer.

The Group considers its cash and cash equivalent and short-term and long-term investments as high grade since these are placed in financial institution of high credit standing. Accordingly, ECL relating to cash and cash equivalents and short-term and long-term investment rounds to nil.

The Group considers other receivables from third parties and related parties as medium grade. Third parties are primarily managed through screening based on credit history and financial information submitted. Whereas, related parties have low risk of default and have a strong capacity to meet their contractual cash flows in the near term.

As of December 31, 2019, the following tables summarize the aging analysis of receivables and contract assets on which expected credit loss rate was applied:

			Days past due				
	Contract assets	**Current**	**< 30 days**	**30-60 days**	**61-90 days**	**Over 90 days**	**Total**
Installment contracts receivable	**₱–**	**₱37,552,654**	**₱2,619,912**	**₱394,947**	**₱195,695**	**₱407,884**	**₱41,171,092**
Contract assets	**2,122,155,799**	**–**	**–**	**–**	**–**	**–**	**2,122,155,799**
Notes receivable	**–**	**200,000,000**	**–**	**–**	**–**	**–**	**200,000,000**
Guaranty deposit	**–**	**257,150,000**	**–**	**–**	**–**	**–**	**257,150,000**
Refundable deposits	**–**	**14,033,989**	**–**	**–**	**–**	**–**	**14,033,989**
Other receivables:							
Rent receivable	**–**	**14,299,254**	**–**	**–**	**–**	**–**	**14,299,254**
Accrued interest	**–**	**14,195,028**	**–**	**–**	**–**	**–**	**14,195,028**
Advances to customers	**₱–**	**₱10,595,464**	**₱–**	**₱102,072**	**₱151,084**	**₱1,312,626**	**₱12,161,246**
Retention	**–**	**2,842,091**	**–**	**–**	**–**	**–**	**2,842,091**
Advances to condominium corporations	**–**	**634,407**	**–**	**–**	**–**	**–**	**634,407**
Others	**–**	**323,117**	**–**	**–**	**–**	**–**	**323,117**
	₱2,122,155,799	**₱551,626,004**	**₱2,619,912**	**₱497,019**	**₱346,779**	**₱1,720,510**	**₱2,678,966,023**

As of December 31, 2018, the following tables summarize the aging analysis of receivables and contract assets on which expected credit loss rate was applied:

			Days past due				
	Contract assets	Current	< 30 days	30-60 days	61-90 days	Over 90 days	Total
Installment contracts receivable	₱–	₱20,050,544	₱3,494,921	₱1,932,960	₱3,940,930	₱1,595,840	₱31,015,195
Contract assets	2,046,036,531	–	–	–	–	–	2,046,036,531
Notes receivable	–	916,500,000	–	–	–	–	916,500,000
Guaranty deposit	–	257,150,000	–	–	–	–	257,150,000
Refundable deposits	–	16,207,818	–	–	–	–	16,207,818
Other receivables:							
Rent receivable	–	14,268,276	–	–	–	–	14,268,276
Accrued interest	–	21,286,634	–	–	–	–	21,286,634
Advances to customers	–	12,434,108	–	140,483	56,374	1,460,478	14,091,443
Retention	–	1,462,366	–	–	–	–	1,462,366
Advances to condominium corporations	–	2,702,022	–	–	–	–	2,702,022
Due from BIR	–	3,774,771	–	–	–	–	3,774,771
Others	–	371,306	–	–	–	–	371,306
	₱2,046,036,531	₱1,266,207,845	₱3,494,921	₱2,073,443	₱3,997,304	₱3,056,318	₱3,324,866,362

The tables below show the credit quality by class of asset for loan-related consolidated statement of financial position lines based on the Group's credit rating system:

December 31, 2019:

	High Grade*	**Medium Grade****	**Total**
Financial assets			
Investments in trust funds	**₱36,750,063**	**₱–**	**₱36,750,063**
Cash and cash equivalents, excluding cash on hand	**1,933,662,231**	**–**	**1,933,662,231**

(Forward)

	High Grade*	Medium Grade**	Total
Short-term investments	**₱397,950,000**	**₱–**	**₱397,950,000**
Long-term investments	**395,000,000**	**–**	**395,000,000**
Installment contracts receivable	**–**	**41,171,092**	**41,171,092**
Notes receivable	**–**	**200,000,000**	**200,000,000**
Guaranty deposits	**–**	**257,150,000**	**257,150,000**
Refundable deposits	**–**	**14,033,989**	**14,033,989**
Other receivables:			
Rent receivable	**–**	**14,299,254**	**14,299,254**
Accrued interest	**–**	**14,195,028**	**14,195,028**
Advances to customers	**–**	**12,161,246**	**12,161,246**
Retention	**–**	**2,842,091**	**2,842,091**
Advances to condominium corporations	**–**	**634,407**	**634,407**
Others	**–**	**323,117**	**323,117**
Contract assets	**–**	**2,122,155,799**	**2,122,155,799**
Total	**₱2,763,362,294**	**₱2,678,966,023**	**₱5,442,328,317**

**High Grade - financial assets with reputable counterparties and which management believes to be reasonably assured to be recoverable.*
*** Medium Grade - financial assets for which there is low risk of default of counterparties.*

December 31, 2018:

	High Grade*	Medium Grade**	Total
Financial assets			
Investments in trust funds	₱35,432,151	₱–	₱35,432,151
Cash and cash equivalents, excluding cash on hand	470,116,732	–	470,116,732
Short-term investments	1,590,100,000	–	1,590,100,000
Installment contracts receivable	–	31,015,195	31,015,195
Notes receivable	–	916,500,000	916,500,000
Guaranty deposits	–	257,150,000	257,150,000
Refundable deposits	–	16,207,818	16,207,818
Other receivables:			
Rent receivable	–	14,268,276	14,268,276
Accrued interest	–	21,286,634	21,286,634
Advances to customers	–	15,064,530	14,091,443
Retention	–	1,462,366	1,462,366
Advances to condominium corporations	–	–	2,702,022
Due from BIR	–	3,774,771	3,774,771
Others	–	2,100,241	371,306
Contract assets	–	2,046,036,531	2,046,036,531
Total	₱2,095,648,883	₱3,324,866,362	₱5,420,515,245

**High Grade - financial assets with reputable counterparties and which management believes to be reasonably assured to be recoverable.*
*** Medium Grade - financial assets for which there is low risk of default of counterparties.*

<u>*Liquidity risk*</u>
Liquidity risk is defined as the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of commercial papers.

The tables below summarize the maturity analysis of the consolidated financial assets held for managing liquidity and financial liabilities based on contractual undiscounted payments:

December 31, 2019:

	1-30 days	31-90 days	91-180 days	181-365 days	Above 1 year	Total
Financial Liabilities						
Accounts payable and accrued expenses*	**₱245,378,340**	**₱576,221**	**₱48,617,274**	**₱41,583,658**	**₱50,013,338**	**₱386,168,831**
Lease liabilities	**183,858**	**370,923**	**578,244**	**1,156,869**	**4,525,456**	**6,815,350**
Notes payable and contract payable**	**580,017,177**	**635,708,358**	**23,519,811**	**–**	**–**	**1,239,245,346**
	825,579,375	**636,655,502**	**72,715,329**	**42,740,527**	**54,538,794**	**1,632,229,527**
Financial Assets						
Cash and cash equivalents	**1,248,874,231**	**685,000,000**	**–**	**–**	**–**	**1,933,874,231**
Short-term investments	**49,600,000**	**133,150,000**	**215,200,000**	**–**	**–**	**397,950,000**
Long-term investments	**–**	**–**	**–**	**–**	**395,000,000**	**395,000,000**
Installment contracts receivable	**2,941,927**	**1,189,149**	**1,325,940**	**1,934,285**	**33,779,791**	**41,171,092**
Notes receivable	**–**	**–**	**180,000,000**	**20,000,000**	**–**	**200,000,000**
Guaranty deposit	**–**	**–**	**–**	**–**	**257,150,000**	**257,150,000**
Refundable deposits	**–**	**–**	**–**	**–**	**14,033,989**	**14,033,989**
Other receivables	**14,921,256**	**15,197,544**	**5,777,453**	**7,203,722**	**1,355,168**	**44,455,143**
Financial assets at FVPL	**–**	**–**	**–**	**–**	**36,750,063**	**36,750,063**
Contract assets	**35,099,694**	**52,517,841**	**78,730,124**	**149,178,535**	**1,806,629,605**	**2,122,155,799**
	1,351,437,108	**887,054,534**	**481,033,517**	**178,316,542**	**2,544,698,616**	**5,442,540,317**
Liquidity position	**₱525,857,733**	**₱250,399,032**	**₱408,318,188**	**₱135,576,015**	**₱2,490,159,822**	**₱3,810,310,790**

** Excludes statutory liabilities amounting to ₱8,431,926, deferred rent income amounting to ₱36,516,320, customers' deposits amounting to ₱67,729,323 and accrued interest amounting to ₱2,722,641.*
*** Includes interest expense amounting to ₱43,195,346.*

December 31, 2018:

	1-30 days	31-90 days	91-180 days	181-365 days	Above 1 year	Total
Financial Liabilities						
Accounts payable and accrued expenses*	₱147,059,484	₱39,960	₱59,940	₱119,879	₱76,349,915	₱223,629,178
Notes payable and contract payable**	685,820,029	642,978,564	54,812,624	7,497,992	–	1,391,109,209
	832,879,513	643,018,524	54,872,564	7,617,871	76,349,915	1,614,738,387
Financial Assets						
Cash and cash equivalents	268,811,423	201,500,000	–	–	–	470,311,423
Short-term investments	494,000,000	934,500,000	161,600,000	–	–	1,590,100,000
Installment contracts receivable	3,494,921	1,932,960	3,940,930	1,595,840	20,050,544	31,015,195
Notes receivable	89,000,000	52,500,000	120,000,000	60,000,000	595,000,000	916,500,000
Guaranty deposit	–	–	–	–	257,150,000	257,150,000
Refundable deposits	–	–	–	–	16,207,818	16,207,818
Other receivables	20,701,015	18,297,657	7,660,790	7,987,059	3,310,297	57,956,818
Financial assets at FVPL	–	–	–	–	35,432,151	35,432,151
Contract assets	216,632,037	54,428,833	69,650,922	140,427,810	1,564,896,929	2,046,036,531
	1,092,639,396	1,263,159,450	362,852,642	210,010,709	2,492,047,739	5,420,709,936
Liquidity position	₱259,759,883	₱620,140,926	₱307,980,078	₱202,392,838	₱2,415,697,824	₱3,805,971,549

** Excludes statutory liabilities amounting to ₱12,334,862, deferred rent income amounting to ₱12,837,989, customers' deposits amounting to ₱34,194,907 and accrued interest amounting to ₱6,007,542.*
*** Includes interest expense amounting to ₱25,561,217.*

Fair Values

The following tables provide fair value hierarchy of the Group's financial assets, financial liabilities and investment properties, other than those with carrying amounts which are reasonable approximations of fair values:

Date of valuation: December 31, 2019

	Fair value		
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value:			
Investment in trust fund			
Financial assets at FV through OCI			
Debt securities	**₱2,177,271**	**₱–**	**₱–**
Equity securities - listed	**716,126**	**–**	**–**
Investment properties	**–**	**–**	**3,999,490**
Financial assets at FV through OCI	**747,611**	**–**	**–**
Assets for which fair values are disclosed:			
Investment properties	**–**	**–**	**4,861,351,320**

Date of valuation: December 31, 2018

	Fair value		
	Level 1	Level 2	Level 3
Assets measured at fair value:			
Investment in trust fund			
Financial assets at FV through OCI			
Debt securities	₱3,182,208	₱–	₱–
Equity securities - listed	655,468	–	–
Investment properties	–	–	5,169,680
Financial assets at FV through OCI	1,416,284	–	–
Assets for which fair values are disclosed:			
Investment properties	–	–	4,520,686,480

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

Cash and cash equivalents, short-term and long-term investments, installment contracts receivable, notes receivable, other receivables, accounts payable and accrued expenses and notes and contracts payable

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

Financial assets at FVOCI

Financial assets at FVOCI are stated at fair value based on quoted market prices.

Investment properties

The fair value of certain investment properties is determined using sales comparison. Sales comparison approach considers the sales of similar or substitute properties and other related market data had the investment properties been transacted in the market. The significant unobservable inputs used in determining the fair value are the sales price per square meter of similar or substitute property, location, size, shape of lot and the highest and best use.

Another method used in determining the fair value of other properties is based on the market data approach. The value is based on sales and listings of comparable property registered within the vicinity. This requires adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator by adjusting the difference between the subject property and those actual sales and listings regarded as comparables. The comparison is premised on the factors of location; size and shape of the lot; time element and others.

The fair values of the investment properties as of December 31, 2019 and 2018 approximate and represent the highest and best use of the said properties.

28. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. It monitors its use of capital using leverage ratios on both gross debt and net debt basis. Debt consists of short-term debt. Debt coverage includes short-term debt less cash and cash equivalents, short-term investments and current portion of notes receivable. The Group considers as capital the equity holders of the parent company excluding unrealized fair value changes on financial assets at FVOCI and accumulated re-measurement on defined benefit plan.

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

	2019	2018
Notes and contract payable	**₱1,196,050,000**	₱1,365,547,992
Total equity holders of the Parent Company	**7,645,027,742**	7,191,524,742
Add (less):		
Unrealized fair value changes on FVOCI	**(1,911,998)**	(598,029)
Accumulated re-measurement on defined benefit plan	**24,124,204**	15,413,505
Capital	**₱7,667,239,948**	₱7,206,340,218
Debt-to-capital ratio	**0.16:1**	0.19:1

	2019	2018
Cash and cash equivalents	**₱1,933,874,231**	₱470,311,423
Short-term investments	**397,950,000**	1,590,100,000
Current portion of notes receivable	**200,000,000**	321,500,000
Notes and contracts payable	**(1,196,050,000)**	(1,365,547,992)
Current portion of lease liabilities	**(2,289,894)**	–
Debt coverage	**₱1,333,484,337**	₱1,016,363,431

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

In accordance with the Rule on Minimum Public Ownership issued by the Philippine Stock Exchange (PSE) requiring listed companies to maintain a 10% public float at all times, the total number of shares owned by the public as of December 31, 2019 and 2018 are 1,359,964,682 shares and 1,216,397,605 shares which are approximately 30.88% and 30.89%, respectively, of the total number of issued and outstanding shares of the Parent Company.

On August 2, 1983, the PSE approved the listing of the Parent Company's common shares totaling 10,000,000 shares. The shares were initially issued at an offer price of ₱10.00 per share.

After listing in 1983, there had been subsequent issuances covering a total of 4,393,739,084 shares.

Below is the summary of the Parent Company's track record of registration of securities with the SEC and PSE as at December 31, 2019:

	Number of Shares Registered	Number of holders of securities as of year end
December 31, 2017	3,938,063,701	669
Add/(Deduct) Movement	–	(8)
December 31, 2018	3,938,063,701	661
Add/(Deduct) Movement	465,675,383	(6)
December 31, 2019	**4,403,739,084**	**655**

29. Basic/Diluted Earnings Per Share

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

	2019	2018	2017
Net income attributable to equity holders of the Parent Company (a)	**₱644,728,822**	₱551,499,211	₱485,108,127
Weighted average number of outstanding shares (b)	**4,403,739,084**	4,403,739,084	4,403,739,084*
Basic/diluted earnings per share (a/b)	**₱0.15**	₱0.13	₱0.11

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

The Group has no potential dilutive common shares as of December 31, 2019, 2018 and 2017. Thus, the basic and diluted earnings per share are the same as of those dates.

30. Business Segments

The Group derives its revenues primarily from the sale and lease of real estate properties and its investments in trust funds. These are the operating segments classified as business groups which are consistent with the segments reported to the BOD, its Chief Operating Decision Maker (CODM).

The Group does not have any major buyers and all sales and leases of real estate properties are made to external buyers.

Segment Revenue and Expenses

	2019			
	Sales of Real Estate Properties	**Lease of Real Estate Properties**	**Pension Plan Operations**	**Total**
Revenue:				
Sales of real estate	**₱1,652,825,666**	**₱–**	**₱–**	**₱1,652,825,666**
Financial income	**511,436,079**	**–**	**656,443**	**512,092,522**
Rent income	**–**	**138,326,898**	**–**	**138,326,898**
Other income	**125,870,299**	**–**	**867,401**	**126,737,700**
Cost of real estate sales	**898,493,584**	**–**	**–**	**898,493,584**
Operating expenses:				
Personnel	**213,239,615**	**–**	**1,177,279**	**214,416,894**
Taxes and licenses	**47,459,089**	**25,818,761**	**19,152**	**73,297,002**
Professional fees	**68,776,969**	**–**	**210,000**	**68,986,969**
Depreciation	**1,159,753**	**51,822,764**	**5,927,535**	**58,910,052**
Light, power and water	**26,955,301**	**–**	**(2,082)**	**26,953,219**
Others	**79,896,963**	**19,935,933**	**5,953,648**	**105,786,544**
Financial expenses	**17,675,587**	**–**	**–**	**17,675,587**
Other expense	**22,416,439**	**–**	**–**	**22,416,439**
Provision for (benefit from) income tax	**200,172,022**	**12,224,832**	**(3,490,239)**	**208,906,615**
Net income (loss)	**₱713,886,722**	**₱28,524,608**	**(₱8,271,449)**	**₱734,139,881**

	2018			
	Sales of Real Estate Properties	Lease of Real Estate Properties	Pension Plan Operations	Total
Revenue:				
Sales of real estate	₱1,462,770,043	₱–	₱–	₱1,462,770,043
Financial income	382,413,062	–	427,139	382,840,201
Rent income	–	126,309,736	–	126,309,736
Other income	80,302,239	–	3,674,063	83,976,302
Cost of real estate sales	742,331,601	–	–	742,331,601
Operating expenses:				
Personnel	202,308,723	–	904,648	203,213,371
Taxes and licenses	38,413,261	26,002,465	775,094	65,190,820
Professional fees	41,166,350	–	68,297	41,234,647
Depreciation	3,085,258	56,878,280	6,485,423	66,448,961
Light, power and water	24,537,230	–	(1,213)	24,536,017
Others	94,296,689	13,311,240	4,512,965	112,120,894
Financial expenses	16,740,403	–	–	16,740,403
Other expense	29,978,174	–	–	29,978,174
Provision for (benefit from) income tax	120,291,725	9,035,325	(3,490,985)	125,836,065
Net income (loss)	₱612,335,930	₱21,082,426	(₱5,153,027)	₱628,265,329

	2017			
	Sales of Real Estate Properties	Lease of Real Estate Properties	Pension Plan Operations	Total
Revenue:				
Sales of real estate	₱1,310,712,989	₱–	₱–	₱1,310,712,989
Financial income	327,919,030	–	281,313	328,200,343
Rent income	–	119,681,308	–	119,681,308
Other income	83,411,025	–	1,372,314	84,783,339
Cost of real estate sales	738,985,531	–	–	738,985,531
Operating expenses:				
Personnel	162,653,182	–	889,721	163,542,903
Taxes and licenses	34,605,333	7,048,462	785,384	42,439,179
Professional fees	34,280,920	–	410,411	34,691,331
Depreciation	6,828,833	29,245,752	2,486,023	38,560,608
Light, power and water	16,320,907	–	22,061	16,342,968
Others	56,895,875	23,384,583	5,432,200	85,712,658
Financial expenses	9,961,121	–	–	9,961,121
Other expense	26,983,018	–	–	26,983,018
Provision for (benefit from) income tax	120,819,077	18,000,753	(4,591,083)	134,228,747
Net income (loss)	₱513,709,247	₱42,001,758	(₱3,781,090)	₱551,929,915

Segment Assets and Liabilities

December 31, 2019:

	Sales of Real Estate Properties	**Lease of Real Estate Properties**	**Pension Plan Operations**	**Total**
Total assets	**₱8,993,242,187**	**₱1,982,744,408**	**₱131,968,990**	**₱11,107,955,585**
Total liabilities	**2,301,553,642**	**4,373,606**	**41,533,642**	**2,347,460,890**
Additions to:				
Real estate properties held for future development	**2,670,691**	**–**	**–**	**2,670,691**
Investment properties	**–**	**7,851,242**	**–**	**7,851,242**

December 31, 2018:

	Sales of Real Estate Properties	Lease of Real Estate Properties	Pension Plan Operations	Total
Total assets	₱8,376,788,466	₱2,046,001,773	₱138,681,681	₱10,561,471,920
Total liabilities	2,263,723,101	8,835,967	41,228,008	2,313,787,076
Additions to:				
Real estate properties held for future development	597,417,558	–	–	597,417,558
Investment properties	–	9,116,877	–	9,116,877

31. **Income Subject to Income Tax Holiday**

Registration with the Board of Investments (BOI)
The Group is entitled to ITH for a period of three years from various dates indicated in the registration or actual start of commercial operations, whichever is earlier. The ITH is limited only to revenue generated from the registered project. Revenues from units with selling price exceeding ₱3.00 million shall not be covered by the ITH.

The Group has registered the following Low-Cost Mass Housing Projects with BOI under the Omnibus Investment Code of 1987 (Executive Order No. 226):

Name	Registration No.	ITH Period
CDC		
Pines Peak Tower II	2016-108	June 1, 2016 - May 31, 2019
CLDI		
One Taft Residences	2014-112	January 1, 2016 - December 31, 2018
North Residences	2014-111	September 1, 2014 - August 31, 2017

The Group was able to avail the benefits from ITH entitlement in the whole year of 2018 until May 31, 2019.

32. **Contingencies**

The Group is contingently liable for certain lawsuits or claims filed by third parties which are either pending decisions by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. Hence, no provision was recognized as of December 31, 2019 and 2018.

33. **Events After Reporting Period**

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

On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. After which, modified ECQ was implemented in Metro Manila until May 31, 2020.

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

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

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

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

Tel: (632) 8 891 0307
Fax: (632) 8 819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cityland Development Corporation and its subsidiaries as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 10, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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

June 10, 2020

SGV
Building a better
working world

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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cityland Development Corporation and its subsidiaries (the "Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 10, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule 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 (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

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

June 10, 2020

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SCHEDULE I

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E

Schedule A. Financial Assets

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of financial position	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Cash and Cash Equivalents				
Cash on hand and in banks	₱–	₱36,974,231	₱36,974,231	₱77,376
Cash equivalents				
Amalgamated Investment Bancorporation	–	54,500,000	54,500,000	4,756,804
China Bank Savings	–	421,700,000	421,700,000	13,264,423
China Trust Bank Corp.	–	–	–	7,536,589
Citysavings Bank	–	–	–	9,098,977
Eastwest Bank	–	–	–	2,801,479
First Metro Investment Corporation	–	54,500,000	54,500,000	19,120,749
Malayan Bank	–	112,500,000	112,500,000	4,582,733
Maybank	–	155,500,000	155,500,000	864,017
Metro Bank	–	–	–	9,907,083
ORIX	–	–	–	4,905,676
Philippine National Bank	–	58,000,000	58,000,000	8,132,733
Philippine National Bank- Savings	–	111,800,000	111,800,000	13,582,127
Philippine Savings Bank	–	54,000,000	54,000,000	1,728,411
Philippine Trust Company	–	361,100,000	361,100,000	17,980,249
Philippine Veterans Bank	–	–	–	294
RCBC Savings Bank	–	–	–	695,890
Security Bank Trust Corporation	–	–	–	158,768
United Coconut Planters Bank	–	–	–	527,437
UCPB Savings Bank	–	513,300,000	513,300,000	30,006,156
	₱–	**₱1,933,874,231**	**₱1,933,874,231**	**₱149,727,971**

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of financial position	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Short-term Investments				
China Bank Savings	₱–	₱10,000,000	₱10,000,000	₱28,417
First Metro Investment Corporation	–	295,000,000	295,000,000	2,127,594
Philippine National Bank- Savings	–	2,000,000	2,000,000	10,850
Philippine Trust Company	–	45,000,000	45,000,000	266,250
UCPB Savings Bank	–	45,950,000	45,950,000	346,237
	₱–	**₱397,950,000**	**₱397,950,000**	**₱2,779,348**
Long-term Investments				
First Metro Investment Corporation	₱–	₱395,000,000	₱395,000,000	₱1,592,223
	₱–	**₱395,000,000**	**₱395,000,000**	**₱1,592,223**

(Forward)

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Financial Assets at FVOCI				
PLDT Common	84	₱82,990	₱82,990	₱–
Filinvest	1,445	2,168	2,168	–
Union Bank	787	45,410	45,410	–
Empire East	600,602	258,259	258,259	–
Ayala Corp. “B” Preferred	227	227	227	–
Ayala Land “B” Common	75	3,413	3,413	–
Ayala Land “B” Preferred	16,875	1,688	1,688	–
First Holdings B	5,126	353,438	353,438	–
Swift Foods	150	18	18	–
	625,371	**747,611**	**747,611**	**–**
Investments in Trust Funds	**–**	**36,750,063**	**36,750,063**	**–**
Installment Contracts Receivable and Contract Assets	**–**	**2,163,326,891**	**2,163,326,891**	**344,960,962**
Notes Receivable	**–**	**200,000,000**	**200,000,000**	**1,437,111**
Guaranty Deposit	**–**	**257,150,000**	**257,150,000**	**11,571,750**
Others Receivables	**–**	**44,455,143**	**44,455,143**	**–**
	–	**₱5,429,253,939**	**₱5,429,253,939**	**₱512,069,365**

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)

Name of Designation or Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
	Not applicable. No directors, officers, employees, and principal stockholders (other than related parties) from whom an aggregate indebtedness of more than P100,000 or one per cent of total assets, whichever is less, is owed.						

Schedule C. Amounts Receivable from Related Parties which are Eliminated during Consolidation of Financial Statements

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at end of period
CLDI (subsidiary)	₱246,301	₱5,526,794	₱5,487,117	₱–	₱285,978	₱–	₱285,978
CPI (subsidiary)	336,765	1,750,447	1,937,212	–	150,000	–	150,000

Parent Company's transactions with CLDI and CPI are eliminated in the consolidated financial statements.

Schedule D. Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
		Not Applicable. The Group has no intangible assets.				

Schedule E. Long-term Debt

Title of Issue and type of Obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
	Not applicable. The Group has no long-term debt.		

Schedule F. Indebtedness to Related Parties

Name of related parties	Balance at beginning of period	Balance at end of period
Directors' fee	₱25,428,867	₱48,079,977

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
	Not applicable. The Group has no guarantees of securities of other issuers.			

Schedule H. Capital Stock

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common Stock – P1 par value	5,000,000,000	4,405,677,031	–	2,247,411,505	790,662,995	1,367,602,531

SCHEDULE II

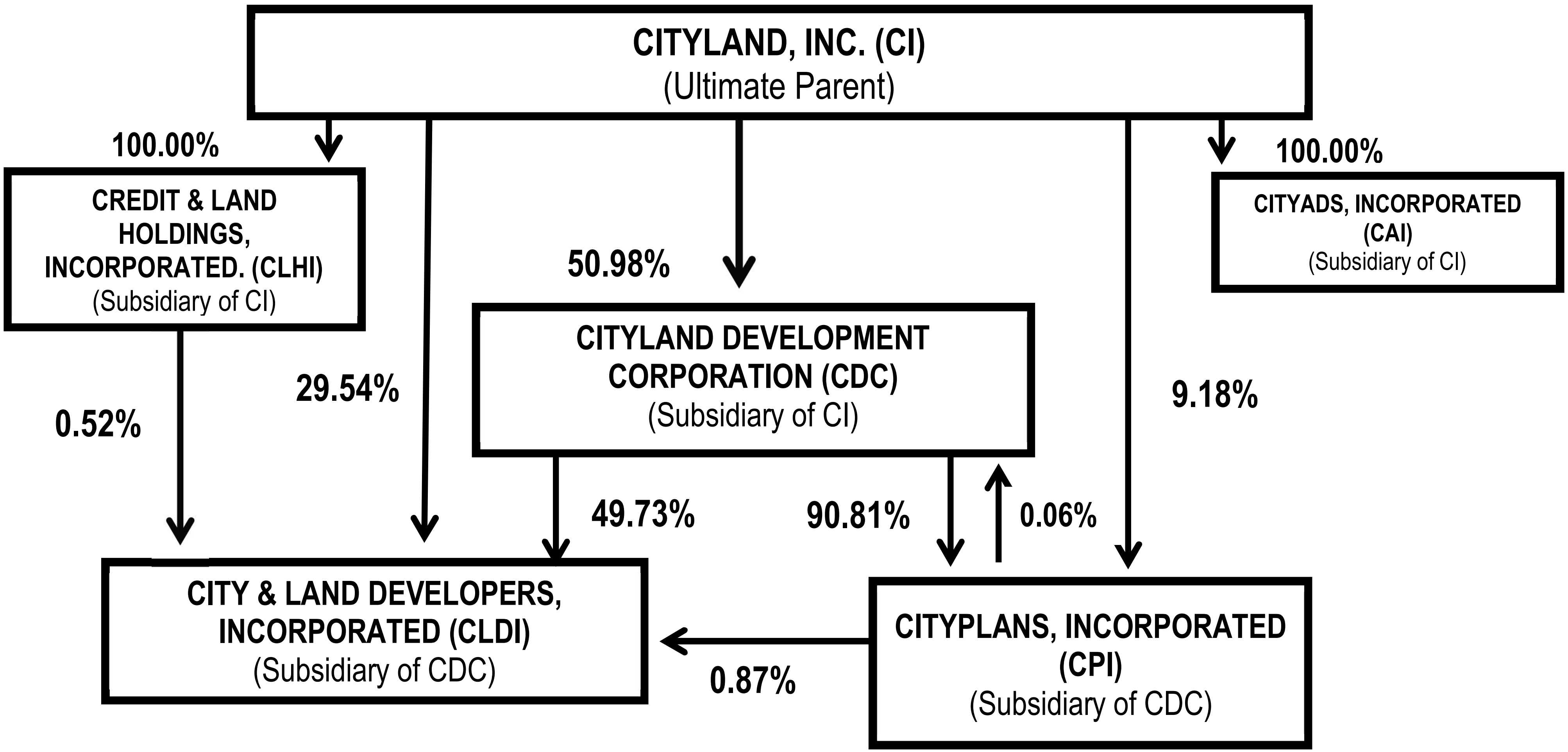
CITYLAND DEVELOPMENT CORPORATION
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2019

Retained earnings, beginning	₱2,178,627,747
Deemed cost adjustment on real estate properties, net of tax	(114,938,491)
Treasury shares	(28,524,728)
Fair value adjustment arising from repossessed inventories, net of tax	(20,056,219)
Deferred income tax assets, beginning	(21,497,699)
Retained earnings, as adjusted to available for dividends declaration, beginning	1,993,610,610
Add: Net income actually earned/realized during the year	
Net income during the year closed to retained earnings	572,687,111
Realized deemed cost adjustments on real estate properties	11,589,834
Fair value adjustment arising from repossessed inventories	3,969,216
Movement in deferred income tax assets	(14,981,718)
	573,264,443
Less: Dividends declared during the year	
Stock dividends	465,675,383
Cash dividends	188,731,688
Fractional shares	635
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale	(4,699,124)
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation	(94,041)
	649,614,541
Retained earnings available for dividends declaration, end	₱1,917,260,512

SCHEDULE III

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP



SCHEDULE IV

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Financial Ratios	**December 31**		
	2019	2018	2017
Current	**3.08**	2.80	2.42
Asset-to-equity	**1.45**	1.47	1.44
Debt-to-equity	**0.16**	0.19	0.22
Asset-to-liability	**4.73**	4.56	4.93
Solvency	**0.34**	0.30	0.30
Interest rate coverage	**65.49**	55.06	84.00
Acid-test	**1. 62**	1.67	1.69
Return on equity (%)	**8.43%**	7.67%	7.20%
Basic/Diluted earnings per share*	**₱0.15**	₱0.13	₱0.11

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

Manner of Calculations:

Current ratio = Total Current Assets / Total Current Liabilities

Asset-to-equity ratio = Total Assets / Total equity (net of unrealized fair value changes on financial assets at fair value through FVOCI/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)

Debt-to-equity ratio = Notes and Contracts Payable / Total equity (net of unrealized fair value changes on financial assets at fair value through FVOCI/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)

Asset-to-liability ratio = Total Assets / Total Liabilities

Solvency ratio = Net Income after Tax + Depreciation Expense / Total Liabilities

Interest rate coverage ratio = Net Income Before Tax + Depreciation Expense + Interest Expense / Interest Expense

Acid-test ratio = Cash and Cash Equivalents + Short-term Investments + Installment Contracts Receivable, current + Contract Assets, Current Notes Receivable, current + Other Receivables, current / Total Current Liabilities

Return on equity ratio = Net Income after Tax / Stockholder's Equity

Basic/Diluted earnings per share = Net income after Tax / Outstanding number of shares

CITYLAND DEVELOPMENT CORPORATION

SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED
As of December 31, 2019

SEC-MSRD Order No. 31, Series of 2018 dated November 6, 2018

A. As stated in the Final Prospectus (November 6, 2018 to November 6, 2019)

Gross Proceeds		**₱1,400,000,000**
Less: Expenses		
Documentary Stamps Tax	₱10,500,000	
Registration Fees	732,250	
Printing Costs	70,000	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	11,362,250
Net Proceeds		**1,388,637,750**
Use of Proceeds		
Project-related Costs		940,500,000
Payment of Maturing Notes		427,685,150
Interest Expense		20,452,600
Total		**₱1,388,637,750**

B. Use of Proceeds (November 6, 2018 to November 6, 2019)

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

CITYLAND DEVELOPMENT CORPORATION

SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED
As of December 31, 2019

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

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

Gross Proceeds		**₱1,400,000,000**
Less: Expenses		
Documentary Stamps Tax	₱10,500,000	
Registration Fees	732,250	
Printing Costs	70,000	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	11,362,250
Net Proceeds		**1,388,637,750**
Use of Proceeds		
Project-related Costs		850,800,000
Payment of Maturing Notes		481,977,750
Interest Expense		55,860,000
Total		**₱1,388,637,750**

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

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

C. Outstanding Commercial Papers as of December 31, 2019

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

CITY & LAND DEVELOPERS, INCORPORATED

SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED
As of December 31, 2019

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

A. As stated in the Final Prospectus (November 6, 2018 to November 6, 2019)

Gross Proceeds		**₱350,000,000**
Less: Expenses		
Documentary Stamps Tax	₱2,625,000	
Registration Fees	328,250	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	
Printing Costs	17,500	3,030,750
Net Proceeds		**346,969,250**
Use of Proceeds		
Project-related Costs		307,500,000
Payment of Maturing Notes		34,401,950
Interest Expense		5,067,300
Total		**₱346,969,250**

B. Use of Proceeds (November 6, 2018 to November 6, 2019)

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

C. Outstanding Commercial Papers as of November 6, 2019

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

COVER SHEET

SEC Registration Number

7	7	8	2	3						

COMPANY NAME

CITYLAND DEVELOPMENT
CORPORATION AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
653 (as of March 31, 2020)	1st Tuesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
RUDY GO	cdc_rg@cityland.net	8-893-6060	N/A

CONTACT PERSON'S ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17- Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **March 31, 2020**

2. SEC Identification Number **77823** 3. BIR Tax Identification No. **000-527-103**

4. **CITYLAND DEVELOPMENT CORPORATION**
   Exact name of issuer as specified in its charter

5. **Makati City, Philippines**
   Province, country or other jurisdiction of incorporation

6. ______ (Use Only)
   Industry Classification Code

7. **2/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City** **1226**
   Address of Principal Office Postal Code

8. **(632)-8-893-60-60**
   Issuer's telephone number, including area code

9. Former name, former address and former fiscal year, if changed since last report **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Unclassified Common Shares	**4,403,739,084 (net of 1,937,947 treasury shares)**

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [**x**] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

Stock Exchange	Title of Each Class
Philippine Stock Exchange	**Unclassified Common Shares**

12. Check whether the issuer:

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

    Yes [**x**] No [ ]

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

    Yes [**x**] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The financial statements and accompanying notes to the financial statements of Cityland Development Corporation and subsidiaries (the Group) are filed as part of this form (pages 11 to 78).

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

The gross domestic product (GDP) declined by 0.2% unexpectedly due to the early onset of the COVID-19 pandemic and the volcanic eruption in January 2020. The last time that the economy contracted was in 1998 during Asian financial crisis. The stringent lockdown measures in Luzon and other provinces spanning more than two months substantially slowed down the economic growth in the first quarter of 2020. With the help of the government and the private sector, economic recovery is anticipated in 2021 assuming that the COVID-19 infections in the country are curbed within the year. The government plans to restart and accelerate the "Build, Build, Build" infrastructure development program to boost private consumption and drive economic growth. This program is expected to enhance regional connectivity and mobility which will pave the way for the real estate sector to flourish.

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

Cityland Development Corporation (CDC or the Company) is selling the following projects as of March 31, 2020:

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

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

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

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

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

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

Buildings for lease

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

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

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

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

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

The Parent Company and CLDI have a number of prime lots reserved for future projects. Its land bank is situated in strategic locations ideal for horizontal and vertical developments.

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

The estimated development cost of ₱98.79 million as of March 31, 2020 representing the cost to complete the development of real estate projects sold will be sourced through:

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

Financial Condition (March 31, 2020 vs. December 31, 2019)

The Group's balance sheet as of March 31, 2020 remained solid with total assets of ₱11,110.02 million, slightly lower by 0.02% over the same period last year of ₱11,107.96 million. The increase is substantially attributed to the increase short-term investments, installment contracts receivable, real estate properties for sale, property and equipment and deferred income tax assets. Sale of condominium units of CPI and deferment of receivable collections increased installment contracts receivable. Due to the lockdown in mid-March 2020, monthly amortizations were put on hold in compliance with the Bayanihan to Heal as One Act resulting to the increase in installment contracts receivable by ₱14.72 million. During the first quarter of 2020, the Group also purchased an office equipment amounting to ₱6.79 million. Aside from the foregoing, majority of the funds were used for operations, payment of liabilities and financing its on-going condominium projects, Pioneer Heights I, 101 Xavierville and One Taft Residences, resulting to the increase in real estate properties. Excess funds were shifted from cash and cash equivalents to short-term investments to avail of higher interest rates and to maintain liquidity. The financial position remained stable as cash and cash equivalents and short-term investments stood at ₱1,869.12 million and ₱483.70 million.

On the liabilities side, total liabilities decreased by 5.93% from ₱2,347.46 million as of March 31, 2019 to ₱2,208.21 million as of March 31, 2020. This was primarily due to partial settlement of accounts payable and accrued expenses and notes payable.

Total equity as of March 31, 2020 stood at ₱8,901.81 million from ₱8,760.49 million as of December 31, 2019, slightly higher by 1.61% due to comprehensive income of ₱141.31 million.

As a result of the foregoing, the Group registered a current and acid test ratio of 3.43:1 and 1.81:1, respectively as of the first quarter of 2020, as compared to 3.08:1 and 1.62:1, respectively as of December 31, 2019. Asset-to-liability and debt-to-equity remained stable at 5.03:1 and 0.14:1, respectively as of March 31, 2020 compared to 4.73 and 0.16, respectively as of December 31, 2019.

Results of Operation (March 31, 2020 vs. March 31, 2019)

Sales of real estate properties reached ₱275.74 million as compared to the previous year's sales of ₱437.91 million. The 37.03% decrease in sales was due to lower sales of Pines Peak Tower II, Grand Central Residences and North Residences. The Group is selling the remaining inventories of these projects and majority of the units were already sold last year. Moreover, due to the COVID-19 pandemic, the lockdown measures in mid-March 2020 partially decreased the Group's sales for the first quarter 2020 as compared to the sales as of March 31, 2019

Total sales of the Group was substantially generated from CDC reaching ₱211.50 million which is equivalent to 76.70% of the Group's sales. The Group has been applying the percentage of completion its revenue recognition and therefore aside from the current year's sales, additional revenues of prior year's sales were also recognized based on percentage of completion. As a result of the foregoing, Pines Peak Tower II contributed ₱72.63 million to the total Group's sales. In addition, sales of Pioneer Heights I almost reached the same level at ₱71.58 million, while 101 Xavierville posted sales of ₱45.77 million. Since the construction of these three projects were in full swing prior to the lockdown in Luzon in mid-March 2020, the percentage of completion as of March 2020 of Pines Peak Tower II, Pioneer Heights I and 101 Xavierville reached 100%, 27.15% and 38.67%, respectively. In addition, the Group also sold the remaining units of Grand Central Residences and Pines Peak Tower I.

Further, the subsidiaries, CLDI and CPI contributed 22.25% and 1.05%, respectively of total sales of real estate properties. Sales of CLDI reached ₱61.35 million as of March 31, 2020 as compared to the same period last year of ₱107.95 million. Sales for the quarter was driven by One Taft Residences and North Residences. The 43.17% decrease in sales was due to lower sales generated from North Residences since this project was already sold at 89.55% as of December 31, 2019. In addition, sales of CLDI was also affected by the lockdown measures implemented in mid-March 2020. One Taft Residences was in full blast construction prior to the lockdown resulting to a percentage of completion of 60.50% from 30.76% in the same period last year.

Other sources of income are financial income, rent income and other income. Financial income which is composed of interest income from sale of real estate properties, cash and cash equivalents, short-term investments, notes receivable and guaranty deposits contributed 24.59% of total revenues. Likewise, rent income grew by 37.25% from ₱33.52 million to ₱46.00 million of the same period last year. Rent income significantly came from the lease operations of CityNet Central, CityNet1 and other properties which were held for lease. Other revenue, on the other hand, were primarily from adjustment of market value of repossessed units, penalties charged to clients, and other miscellaneous income. Revenue contribution of this account decreased by 2.88%, amounting to ₱38.54 million as of March 31, 2020 from ₱39.68 million for the quarter ended March 31, 2019.

On the cost side, cost of real estate sales decreased due to sales, while operating expenses increased due to higher taxes and licenses, professional fees, light, power and water, brokers' commission, repairs and maintenance and membership dues. Financial expenses likewise decreased due to partial settlement of notes payable and lower interest rates. In addition, other expenses decreased due to lower adjustment of prior years' income from forfeited units while decline in revenues and increase in operating expenses decreased provision for income tax.

As a result of the foregoing, the Group ended March 31, 2020 with a net income of ₱142.94 million, lower by 33.13% compared to the same period last year of ₱213.76 million. This translated to annualized earnings per share and return on equity of ₱0.12 and 6.72% as compared to the previous year of ₱0.18 and 10.62%, respectively.

Financial Ratios

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)	March 31, 2019 (Unaudited)
Current	**3.43**	3.08	2.71
Asset-to-equity	**1.42**	1.45	1.43
Debt-to-equity	**0.14**	0.16	0.16
Asset-to-liability	**5.03**	4.73	4.97
Solvency*	**0.29**	0.34	0.43
Interest rate coverage	**152.44**	65.49	42.33
Acid-test	**1.81**	1. 62	1.62
Return on equity (%)*	**6.72%**	8.43%	10.62%
Basic/Diluted* Earnings per Share	**₱0.12**	₱0.15	₱0.18**

**Annualized for the period of March 31, 2020 and March 31, 2019*
***After retroactive effect of 6.5% and 5% stock dividends in 2019.*

Manner of Calculations:

Current ratio = Total Current Assets / Total Current Liabilities

Asset-to-equity ratio = $\dfrac{\text{Total Assets}}{\text{Total equity (net of unrealized fair value changes on financial assets at fair value through FVOCI/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)}}$

Debt-to-equity ratio = $\dfrac{\text{Notes and Contracts Payable}}{\text{Total equity (net of unrealized fair value changes on financial assets at fair value through FVOCI/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)}}$

Asset-to-liability ratio = Total Assets / Total Liabilities

Solvency ratio = $\dfrac{\text{Net Income after Tax + Depreciation Expense}}{\text{Total Liabilities}}$

Interest rate coverage ratio = $\dfrac{\text{Net Income Before Tax + Depreciation Expense + Interest Expense}}{\text{Interest Expense}}$

Acid-test ratio = Cash and Cash Equivalents + Short-term Investments +

Installment Contracts Receivable, current + Contract Assets, Current
Notes Receivable, current + Other Receivables, current

Total Current Liabilities

$$\text{Return on equity ratio} = \frac{\text{Net Income after Tax}}{\text{Stockholder's Equity}}$$

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

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

Debt securities
The Parent Company issued SEC-Registered Commercial Papers during the period with outstanding balance of ₱1,052.90 million as of March 31, 2020.

Equity securities
There are no issuances, repurchases and repayments of equity securities during the first quarter of 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. After which, modified ECQ was implemented in Metro Manila until May 31, 2020.

On May 29, 2020, the President of the Philippines declared that Metro Manila will be under general community quarantine beginning June 1 until June 15, 2020 and further extend until June 30, 2020.

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

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

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

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

<u>Financial Condition (March 31, 2020 vs December 31, 2019)</u>

1. Decrease in Cash and Cash Equivalents was substantially due to shift of funds to longer period investments, payment of cost of operations, development cost of projects, purchase of office equipment and partial settlement of accounts payable and accrued expense.
2. Increase in Short-term Investments was due to sales and collection of receivables and shift of cash and cash equivalents to longer period investments.
3. Net increase in Installment Contract Receivables was due to sale of condominium units held for lease by CPI and increase in past due accounts brought about by the government's implementation of deferment of monthly amortizations.
4. Net decrease in Contract Asset was due to was due to collections received as of March 31, 2020 and lower sales.
5. Net increase in Cost to Obtain Contract was due to recognition of prepaid commission in relation to the sale of ongoing projects.
6. Decrease in Other Receivables was substantially due to lower accrued interest receivable and advances to customers.
7. Increase in Real Estate Properties for Sale was primarily due to additional development costs incurred, capitalized borrowing costs and forfeitures of real estate properties.
8. Decrease in Investments in Trust Fund was due to termination and maturity of plans.
9. Increase in Real Estate Properties Held for Future Development was due to additional costs incurred.
10. Decrease in Investment Properties was due to depreciation recognized on the buildings for lease.

11. Increase in Property and Equipment was due to recognition of right-of-use assets as a result of long-term lease contracts entered into by the Group and purchase of office equipment.
12. Increase in Deferred Income Tax Assets was due to increase in realized gain on sale of real estate transactions and accrued expenses of CLDI.
13. Net decrease in Other Assets was due to utilization of input VAT and prepaid asset.
14. Net decrease in Accounts Payable and Accrued Expenses was substantially due to partial settlement of trade payables, refund of customers' deposit and payment of accrued development cost and sick leave and withholding tax.
15. Increase in Contract Liabilities was due to higher actual collections as compared to collections based on the percentage of completion of ongoing project.
16. Decrease in Notes and Contracts Payable was due to partial settlement of matured notes payable.
17. Increase in Income Tax Payable was due to additional income tax payable for the first quarter 2020.
18. Decrease in Pre-need and Other Reserves was due to was due to maturities and termination of pension plan.
19. Decrease in Deferred Income Tax Liabilities - net was primarily due higher deferred income tax assets from unearned rent revenue and higher capitalized borrowing costs.
20. Increase in Retained Earnings was due to net income recognized as of March 31, 2020.
21. Decrease in Unrealized Fair Value Changes on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) was due to decrease in market value of financial assets at FVOCI.
22. Increase in Non-Controlling Interest was due to net income of subsidiaries.

<u>Results of Operation (March 31, 2020 vs March 31, 2019)</u>

1. Decrease in Sales of Real Estate Properties was primarily due to lower sales generated from 101 Xavierville, Pines Peak Tower I and II, Grand Central Residences and North Residences and the disruptions brought about by COVID-19 pandemic.
2. Decrease in Financial Income was due to lower interest income from installment contracts receivables, contract assets, cash equivalents, short-term and long-term investments and notes receivable.
3. Increase in Rental Income was due to rentals earned from the buildings for lease, CityNet 1 and CityNet Central, and additional long-term lease contracts entered by the Group.
4. Decrease in Other Income was due to the decrease in fair market value of repossessed real estate properties for sale.
5. Decrease in Cost of Real Estate Sales was due to decrease in sales as this moves in tandem with the sales of real estate properties.
6. Increase in Operating Expenses was due to increase in taxes and licenses, depreciation, professional fees, light, power and water, brokers' commission, repairs and maintenance and membership dues.
7. Decrease in Financial Expenses was substantially due to lower interest rates of commercial papers and partial settlement of notes payable.
8. Decrease in Other Expenses was due to lower adjustment of prior years' income from forfeited units.
9. Decrease in Provision for Income Tax was due to lower deferred income tax and lower provision for final tax on interest income.
10. Decrease in Net Income was due to decline in revenues and increase in operating expense.

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

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

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

The Group's unaudited interim consolidated financial statements is in compliance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The same accounting policies and methods of computation are followed as compared with the most recent annual audited consolidated financial statements. However, the unaudited interim consolidated financial statements as of March 31, 2020 do not include all of the information and disclosures required in the annual audited consolidated financial statements and therefore, should be read in conjunction with the annual audited consolidated financial statements as of and for the year ended December 31, 2019. There are no any events or transactions that are material to an understanding of the current interim period.

PART II – OTHER INFORMATION

Disclosures not made under SEC Form 17-C

There are no reports that were not made under SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

By: **CITYLAND DEVELOPMENT CORPORATION**

________________ Date: June 29, 2020	________________ Date: June 29, 2020
Josef C. Gohoc	Rudy Go
President / Director	*Senior Vice President / Compliance Officer*

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of	
	March 31, 2020 UNAUDITED	December 31, 2019 AUDITED
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱1,869,121,526**	₱1,933,874,231
Short-term investments (Note 4)	**483,699,067**	397,950,000
Current portion of:		
Installment contracts receivable (Note 6)	**26,042,472**	7,391,301
Contract assets (Note 6)	**328,216,307**	315,526,194
Cost to obtain contract (Note 6)	**14,203,191**	12,289,141
Notes receivables (Note 7)	**200,000,000**	200,000,000
Other receivables (Note 8)	**40,020,503**	43,099,975
Real estate properties for sale (Note 9)	**2,584,820,602**	2,565,950,797
Current portion of investments in trust funds (Note 5)	**5,987,496**	5,987,496
Other current assets (Note 13)	**29,746,152**	40,387,350
Total Current Assets	**5,581,857,316**	5,522,456,485
Noncurrent Assets		
Installment contracts receivable - net of current portion (Note 6)	**29,849,961**	33,779,791
Long-term investments (Note 4)	**395,000,000**	395,000,000
Contract assets - net of current portion (Note 6)	**1,743,044,302**	1,806,629,605
Cost to obtain contract - net of current portion (Note 6)	**24,479,198**	25,170,158
Other receivables - net of current portion (Note 8)	**1,375,405**	1,355,168
Investments in trust funds - net of current portion (Note 5)	**29,516,690**	30,762,567
Real estate properties held for future development (Note 10)	**919,698,338**	918,753,667
Investment properties (Note 11)	**1,977,782,235**	1,982,744,408
Property and equipment (Note 12)	**75,407,539**	64,746,840
Net retirement plan assets (Note 24)	**11,323,185**	11,323,185
Deferred income tax assets - net (Note 25)	**12,012,398**	8,192,586
Other noncurrent assets (Note 13)	**308,671,674**	307,041,125
Total Noncurrent Assets	**5,528,160,925**	5,585,499,100
TOTAL ASSETS	**₱11,110,018,241**	₱11,107,955,585

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	**₱268,320,837**	₱351,558,514
Current portion of contract liabilities (Note 6)	**259,003,368**	206,659,784
Notes and contracts payable (Note 15)	**1,052,900,000**	1,196,050,000
Income tax payable	**47,348,833**	33,703,861
Current portion of pre-need and other reserves (Note 5)	**2,133,952**	2,133,952
Total Current Liabilities	**1,629,706,990**	1,790,106,111
Noncurrent Liabilities		
Accounts payable and accrued expenses - net of current portion (Note 14)	**174,660,388**	156,825,877
Contract liabilities - net of current portion (Note 6)	**321,762,838**	314,835,689
Pre-need and other reserves - net of current portion (Note 5)	**37,180,060**	38,416,302
Net retirement benefits liability (Note 24)	**8,314,472**	8,314,472
Deferred income tax liabilities - net (Note 25)	**36,587,325**	38,962,439
Total Noncurrent Liabilities	**578,505,083**	557,354,779
Total Liabilities	**₱2,208,212,073**	₱2,347,460,890

(Forward)

	As of	
	March 31, 2020 UNAUDITED	December 31, 2019 AUDITED
Equity		
Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1.00 par value (Note 16)		
Authorized - 5,000,000,000 shares as of March 31, 2020 and December 31, 2019, respectively		
Issued - 4,405,677,031 shares held by 653 and 655 equity holders as of March 31, 2020 December 31, 2019	**₱4,405,677,031**	₱4,405,677,031
Additional paid-in capital	**7,277,651**	7,277,651
Unrealized fair value changes on financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	**387,249**	1,911,998
Accumulated re-measurement loss on defined benefit plan - net of deferred income tax effect (Note 24)	**(24,124,204)**	(24,124,204)
Retained earnings (Note 16)	**3,416,314,433**	3,285,714,840
Treasury stock - at cost (Note 16)	**(31,429,574)**	(31,429,574)
	7,774,102,586	7,645,027,742
Non-controlling interests (Note 17)	**1,127,703,582**	1,115,466,953
Total Equity	**8,901,806,168**	8,760,494,695
TOTAL LIABILITIES AND EQUITY	**₱11,110,018,241**	₱11,107,955,585

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	UNAUDITED FOR THE3-MONTH ENDING	
	March 31, 2020	March 31, 2019
REVENUE		
Sales of real estate properties (Note 6)	**₱275,739,072**	₱437,908,528
Financial income (Note 21)	**117,487,566**	135,480,371
Rent income (Note 11)	**46,002,086**	33,516,969
Other income (Note 23)	**38,538,122**	39,679,780
	477,766,846	646,585,648
COST AND EXPENSES		
Cost of real estate sales (Note 9)	**141,387,812**	230,090,188
Operating expenses (Note 18)	**141,251,716**	136,071,585
Financial expenses (Note 22)	**1,660,508**	7,112,045
Other expenses (Note 23)	**10,603,293**	12,306,399
	294,903,329	385,580,217
INCOME BEFORE INCOME TAX	**182,863,517**	261,005,431
PROVISION FOR INCOME TAX (Note 25)	**39,922,626**	47,246,179
NET INCOME	**₱142,940,891**	₱213,759,252
Attributable to:		
Equity holders of the Parent Company	**₱130,596,550**	₱196,174,705
Non-controlling interests	**12,344,341**	17,584,547
	₱142,940,891	₱213,759,252
BASIC/DILUTED EARNINGS PER SHARE (Note 29)	**₱0.03**	₱0.04

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	UNAUDITED FOR THE 3-MONTH ENDING	
	March 31, 2020	March 31, 2019
NET INCOME	**₱142,940,891**	₱213,759,252
OTHER COMPREHENSIVE INCOME (LOSS)		
Not to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets at FVOCI (Note 13)	**(1,632,460)**	212,230
	(1,632,460)	212,230
TOTAL COMPREHENSIVE INCOME	**₱141,308,431**	₱213,971,482
Attributable to:		
Equity holders of the Parent Company	**₱129,071,802**	₱196,324,186
Non-controlling interests	**12,236,629**	17,647,296
	₱141,308,431	₱213,971,482

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)	Additional Paid-in Capital	Unrealized Fair Value Changes on Financial Assets at FVOCI (Note 13)	Accumulated Re-measurement Loss on Defined Benefit Plan – Net of Deferred Income Tax Effect (Note 24)	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Subtotal	Non-controlling Interests	Total
BALANCES AT JANUARY 1, 2020	**₱4,405,677,031**	**₱7,277,651**	**₱1,911,998**	**(₱24,124,204)**	**₱3,285,714,840**	**(₱31,429,574)**	**₱7,645,027,742**	**₱1,115,466,953**	**₱8,760,494,695**
Net income	–	–	–	–	130,596,550	–	130,596,550	12,344,341	142,940,891
Other comprehensive income (loss)	–	–	(1,524,749)	–	–	–	(1,524,749)	(107,712)	(1,632,461)
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation (Note 25)	–	–	–	–	3,043	–	3,043	–	3,043
BALANCES AT MARCH 31, 2020	**₱4,405,677,031**	**₱7,277,651**	**₱387,249**	**(₱24,124,204)**	**₱3,416,314,433**	**(₱31,429,574)**	**₱7,774,102,586**	**₱1,127,703,582**	**₱8,901,806,168**

	Capital Stock (Note 16)	Additional Paid-in Capital	Unrealized Fair Value Changes on Financial Assets at FVOCI (Note 13)	Accumulated Re-measurement Loss on Defined Benefit Plan – Net of Deferred Income Tax Effect (Note 24)	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Subtotal	Non-controlling Interests	Total
BALANCES AT JANUARY 1, 2019	**₱3,940,001,648**	**₱7,277,651**	**₱598,029**	**(₱15,413,505)**	**₱3,290,490,493**	**(₱31,429,574)**	**₱7,191,524,742**	**₱1,056,160,102**	**₱8,247,684,844**
Net income	–	–	–	–	196,174,705	–	196,174,705	17,584,547	213,759,252
Other comprehensive income	–	–	149,480	–	–	–	149,480	62,749	212,229
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation (Note 25)	–	–	–	–	66,657	–	66,657	–	66,657
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale (Note 25)	–	–	–	–	1,873,556	–	1,873,556	–	1,873,556
BALANCES AT MARCH 31, 2019	**₱3,940,001,648**	**₱7,277,651**	**₱747,509**	**(₱15,413,505)**	**₱3,488,605,411**	**(₱31,429,574)**	**₱ 7,389,789,140**	**₱1,073,807,398**	**₱8,463,596,538**

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	UNAUDITED	UNAUDITED
	March 31, 2020	March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱182,863,517**	₱261,005,431
Adjustments for:		
Interest income (Note 21)	**(117,487,566)**	(135,476,537)
Depreciation (Note 20)	**14,907,140**	15,540,549
Interest expense - net of amounts capitalized (Note 22)	**1,153,272**	6,539,145
Trust fund income (Notes 5 and 23)	**(523,425)**	(427,292)
Interest expense - lease liabilities (Note 22)	**152,686**	152,504
Gain on sale of shares of stock (Note 13 and 23)	**(32,660)**	–
Dividend income (Note 21)	–	(3,834)
Operating income before working capital changes	**81,032,964**	147,329,966
Decrease (increase) in:		
Installment contracts receivable (Note 6)	**(14,721,341)**	(2,889,750)
Contract assets (Note 6)	**50,895,190**	(29,065,667)
Cost to obtain contract (Note 6)	**(1,223,090)**	860,299
Other receivables (Note 8)	**(505,726)**	3,923,019
Real estate properties for sale (Note 9)	**(20,526,338)**	(65,344,712)
Real estate properties held for future development (Note 10)	**(944,671)**	(220,803)
Deposits and others	**9,131,506**	2,559,003
Increase (decrease) in:		
Accounts payable and accrued expenses (Note 14)	**(69,959,612)**	9,517,920
Contract liabilities (Note 6)	**59,270,733**	(22,503,076)
Pre-need and other reserves	**(1,236,242)**	(310,290)
Cash generated from (used in) operations	**91,213,373**	43,855,909
Interest received	**121,052,527**	138,801,158
Income taxes paid, including creditable and final withholding taxes	**(32,469,537)**	(34,373,813)
Net cash flows from operating activities	**179,796,363**	148,283,254
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from matured (purchase of):		
Investments (Note 4)	**(85,749,067)**	1,207,900,000
Notes receivable (Note 7)	–	87,500,000
Additions to:		
Investment properties (Note 11)	**(6,787,328)**	(524,800)
Property and equipment (Note 12)	**(6,785,714)**	–
Proceeds from sale of shares of stock (Note 13)	**48,644**	–
Dividends received (Note 21)	–	3,834
Net cash flows from (used in) investing activities	**(99,273,465)**	₱1,294,879,034
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable (Note 15)	**1,167,900,000**	₱1,550,600,000
Payments of notes payable (Note 15)	**(1,311,050,000)**	(1,732,250,000)
Interest paid (Notes 14 and 15)	**(1,136,589)**	(7,417,332)
Payment of lease liabilities (Note 14)	**(989,014)**	(633,441)
Dividends paid (Note 14)	–	(63,257)
Net cash flows used in financing activities	**(145,275,603)**	(189,764,030)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(64,752,705)**	1,253,398,258
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,933,874,231**	470,311,423
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**1,869,121,526**	₱1,723,709,681

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2020:

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

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

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

These amendments will apply on future business combinations of the Group. There were no business combinations made as of March 31, 2020.

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

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

  The amendments have no significant impact to the Group's financial statements.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

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

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

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

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

The Group also applied the available practical expedients wherein it**:**

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

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

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

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

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

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

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

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

The Interpretation specifically addresses the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  Annual Improvements to PFRSs 2015-2017 Cycle

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

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

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

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

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

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

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial 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.

- *Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 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 PFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

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

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

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

  The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. This adjustment should have been applied retrospectively and would have resulted to restatement of prior year financial statements. A restatement would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings.

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

The percentage of ownership of the Parent Company in these subsidiaries as of March 31, 2020 and December 31, 2019 are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

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

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

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

Fair Value Measurement

Determination of fair value

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

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

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

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

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

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

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

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

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

Financial Instruments

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

Financial assets

Initial recognition and measurement

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

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

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

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

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

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

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

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met: (a) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

As of March 31, 2020 and December 31, 2019, the Group's investment in trust fund has debt instruments at FVOCI.

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

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

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

The Group has no financial assets at fair value through profit or loss as of March 31, 2020 and December 31, 2019.

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

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

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

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

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

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

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

a. Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments in Trust Funds
The trust fund assets and liabilities are recognized in accordance with the provisions of the applicable PAS and PFRSs and their interpretations.
Investments in trust funds are restricted to cover the Group's pre-need reserves. These are classified as current assets to the extent of the currently maturing pre-need reserves. The remaining portion is classified as noncurrent assets in the consolidated statement of financial position.

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

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

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

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

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

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

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

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

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

Construction in progress is stated at cost. This includes costs of construction and other direct costs related to the investment property being constructed. Construction in progress is not depreciated until such time when the relevant assets are complete and ready for use. When such construction is completed and assets are ready for use, the costs of the said assets are transferred to specific classification under “Investment properties” account.

Property and Equipment

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

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

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

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

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

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

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

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

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

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

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

Impairment of Nonfinancial Assets

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

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

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

Value-added Tax (VAT)
Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

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

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

- The amount of provision is the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities as follows:
  i. Provision for termination values applying the inactivity and surrender rate experience of the Company.
  ii. The liability is equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions required per Product Model discounted at the lower of attainable rate or discount rate provided by the IC for SEC-approved plans and the pricing discount rate for IC-approved plans.

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

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

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

In 2019 and 2018, CPI follows IC Circular Letter No. 23-2012 dated November 28, 2012 which sets the guidelines below for the discount rate to be used in the valuation of PNR:

- Discount interest rate for the PNR

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

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

- Transitory PNR (TPNR)

  In effecting the transition in the valuation of reserves for old basket of plans, the IC shall prescribe a PNR with a maximum transition period of 10 years.

  For each of the pre-need plan categories, the TPNR shall be computed annually on the old basket of plans outstanding at the end of each year from 2012 to 2021 using the discount interest rates provided above. If the actual trust fund balance is higher than or equal to the resulting PNR then the liability setup shall be the PNR.

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

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

  The TPNR liability shall be recognized each year. As of December 31, 2019 and 2018, the Company's actual trust fund balance is lower than the resulting PNR (see Note 5).

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

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

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

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

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

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

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

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

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

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

Treasury Stock
Treasury stock is the Group's own equity instruments that has been issued and then reacquired but not yet cancelled. Treasury stock are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital.

Revenue Recognition
Revenue from Contract with Customers
The Group primarily derives its real estate revenue from the sale of completed real estate projects and undeveloped land. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the buyer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is acting as a principal in all of its revenue arrangements, except for the provisioning of water and electricity in its office leasing activities, wherein it is acting as agent.

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

Sales of real estate properties (CDC and CLDI)
CDC and CLDI derive their real estate revenue from sale of lots and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the entities' performance does not create an asset with an alternative use and the entities have an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the entities use input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The entities use the cost accumulated by the accounting department to determine the actual resources used. Input method excludes the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the buyer.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

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

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

Sales of real estate properties (CPI)
CPI derives its revenue from sale of condominium units. Revenue from the sale of these real estate projects are recognized at a point in time when control of the asset is transferred to the buyer, generally when the condominium units are delivered to and accepted by the buyer. The payment is collectible in monthly installments for periods ranging from 1 to 10 years.

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

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

Cost recognition (CPI)
CPI recognizes costs relating to satisfied performance obligations as these are incurred.

<u>*Contract Balances*</u>
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the buyer. If the entities perform by transferring goods or services to a buyer before the buyer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a buyer for which the entities have received consideration (or an amount of consideration is due) from the buyer. If a buyer pays consideration before the entities transfer goods or services to the buyer, a contract liability is recognized when the payment is made or payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the entities perform under the contract.

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

Costs to obtain contract
The incremental costs of obtaining a contract with a buyer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the “Operating expenses” account in the consolidated statement of income.

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

Amortization and derecognition of capitalized costs to obtain a contract
CDC and CLDI amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within operating expenses.

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

Sales of pre-need plans
Premiums from sale of pre-need plans, included under “Other income” account in the consolidated statement of income are recognized as earned when collected.

Cost of contracts issued
This account pertains to (a) the increase or decrease in PNR as at the current year as compared to the provision for the same period of the previous year; (b) amount of trust funds contributed during the year including any trust fund deficiency; and (c) documentary stamp tax and SEC registration fees.
If there is a decrease in the PNR as a result of new information or developments, the amount shall be deducted from the cost of contracts issued in the current period. In case of material prior period errors, the requirements of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* shall be complied with by CPI.

Interest income
Interest income from cash in banks, cash equivalents and short-term and long-term investments, installment contracts receivable, contract assets, guaranty deposits and notes receivable is recognized as the interest accrues taking into account the effective yield on interest.

Dividend income
Dividend income is recognized when the Group’s right to receive the payment is established.

Trust fund income
Trust fund income mainly pertains to rental income on investment properties under the trust fund account, as well as, trading gains and losses from buying and selling and changes in fair value of financial assets and financial liabilities categorized upon initial recognition as at fair value through profit or loss investments under the trust fund account.

Leases *(effective January 1, 2019)*
The Group assesses at contract inception whether a contract is, or contains, a lease. It constitutes that the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

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

Leases (applicable until December 31, 2018 prior to the adoption of PFRS 16)
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is substantial change to the asset.

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

Operating leases - Group as a lessor
Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rent income from operating leases is recognized as income when earned on a straight-line basis over the term of the lease agreement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Operating expenses
Operating expenses constitute costs of administering the business. These costs are expensed as incurred.

Financial expenses
Financial expenses consist of interest incurred on notes and contracts payable. Interest attributable to a qualifying asset is capitalized as part of the cost of the asset while others are expensed as incurred.

Interest costs are capitalized if they are directly attributable to the acquisition, development and construction of real estate projects as part of the cost of such projects. Capitalization of interest cost (1) commences when the activities to prepare the assets for their intended use are in progress and expenditures and interest costs are being incurred, (2) is suspended during extended periods in which active development is interrupted, and (3) ceases when substantially all the activities necessary to prepare the assets for their intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Other income and other expenses
Other income and other expenses pertain mainly to the gain or loss, respectively, arising from forfeiture or cancellation of prior years' real estate sales arising from the difference between the outstanding balance of receivables and the original cost of the inventories.

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

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

Retirement benefits cost comprises the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are earned by the employees. The undiscounted liability for leave expected to be settled within 12 months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period. Accumulating leave credits which can be utilized anytime when needed or converted to cash upon employee separation (i.e., resignation or retirement) are presented at its discounted amount as “Accounts payable and accrued expenses - noncurrent portion” in the consolidated statement of financial position.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the effective future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting period.

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability under "Income tax payable" account in the consolidated statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset under "Other current assets" account in the consolidated statement of financial position.

Deferred income tax

Deferred income tax is recognized on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except (a) where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and deferred income tax liabilities are not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and those directly in comprehensive income such as re-measurement of defined benefit plan are recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense that are not recognized in the consolidated statement of income in accordance with PFRSs. Other comprehensive income of the Group includes gains and losses on fair value changes of financial assets at FVOCI/available-for-sale financial assets, re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability).

Earnings Per Share
Basic earnings per share is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares issued and outstanding after considering the retroactive effect, if any, of stock dividends declared during the year.

Diluted earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares and adjusted for the effects of all dilutive potential common shares, if any. In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retrospectively.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 30 to the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at the end of reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its Group financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

The core of PFRS 17 is the general model, supplemented by:

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

These amendments do not affect the consolidated financial statements but may apply on future insurance contracts that may be entered by the Group.

Deferred effectivity

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the results for the period presented. Actual results could differ from such estimates.

<u>Judgments</u>

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

Consolidation of CLDI in which the Group holds less than a majority of voting right (de facto control)
The Group consolidates the accounts of CLDI since it considers that it controls CLDI even though it owns less than 50% of voting interest. The factors that the Group considered in making this determination include the size of its block of voting shares and the relative size and dispersion of holdings by other stockholders. The Group is the single largest shareholder of CLDI with 49.73% equity interest. The Parent Company, some of its stockholders and affiliates (whose stockholders also own equity ownership in the Parent Company) collectively own more than 50% of the equity of CLDI giving the Parent Company effective control over CLDI.

Management has determined that it has control by virtue of its power to cast the majority of votes at meetings of the BOD in all of its subsidiaries.

Revenue recognition
Selecting the appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the following, among others:

- *Existence of a contract*
  The Group's primary document for a contract with a buyer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of other signed documentation such as reservation agreement, official receipts and other documents, would contain all the criteria to qualify as a contract with the buyer under PFRS 15.

  In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will be able to collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the buyer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the buyer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as the credit standing and financial capacity of the buyer, age and location of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before commencing revenue recognition.

- *Revenue recognition method and measure of progress*
  The Group, except for CPI, concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the buyer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the buyer is contractually obliged to make payments to the developer up to the performance completed to date.

  The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the buyer.

- *Identifying performance obligation*
  The Group has various contracts to sell covering its sale of condominium units and other real estate properties. The Group concluded that there is one performance obligation in each of these contracts because it has the obligation to deliver the condominium unit duly constructed in a specific lot and fully integrated into the serviced land in accordance with the approved plan. For the sale of real estate properties such as raw land, the Group integrates certain activities to the said property to be able to deliver the guaranteed property based on the contract with the buyer. Included also in this performance obligation is the Group's service is to transfer the title of the real estate unit to the buyer.

- *Principal versus agent considerations*
  The contract for the Group's buildings for lease includes the right to charge for the electricity usage, water usage, air conditioning charges and CUSA like maintenance, janitorial and security services.

  For the electricity and water usage, the Group determined that it is acting as an agent because the commitment of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility company, and not the real estate developer, is primary responsible for the provisioning of the utilities while the Group administers the leased spaces and coordinates with the utility companies to ensure that tenants have access to these utilities. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

  For the provision of air conditioning and services in the CUSA, the Group acts as a principal. This is because it is the Group who retains the right to direct the service provider of CUSA as it chooses and the party responsible to provide proper ventilation and air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air conditioning charges.

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used for administrative purposes.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Investment properties amounted to ₱1,977.78 million and ₱1,982.74 million as of March 31, 2020 and December 31, 2019, respectively (see Note 11). Property and equipment amounted to ₱75.41 million and ₱64.75 million as of March 31, 2020 and December 31, 2019, respectively (see Note 12).

Distinction between real estate properties for sale and investment properties
The Group determines whether a property is classified as for sale, for lease or for capital appreciation.

Real estate properties which the Group develops and intends to sell on or before completion of construction are classified as real estate properties for sale. Real estate properties for sale amounted to ₱2.58 billion and ₱2.57 billion as of March 31, 2020 and December 31, 2019, respectively (see Note 9). Real estate properties which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation are classified as investment properties. Investment properties amounted to ₱1,977.78 million and ₱1,982.74 million as of March 31, 2020 and December 31, 2019, respectively (see Note 11).

Distinction between real estate properties for sale and held for future development
The Group determines whether a property will be classified as real estate properties for sale or held for future development. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate properties for sale) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (real estate properties held for future development). Real estate properties for sale amounted to ₱2.58 billion and ₱2.57 billion as of March 31, 2020 and December 31, 2019, respectively (see Note 9). Real estate properties held for future development amounted to ₱919.70 million and ₱918.75 million as of March 31, 2020 and December 31, 2019, respectively (see Note 10).

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

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

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

Leases - Estimating the incremental borrowing rate (effective January 1, 2019)
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱11.36 million and ₱6.82 million as of March 31, 2020 and December 31, 2019, respectively (see Note 14).

Revenue recognition - Revenue recognition method and measure of progress
The measurement of progress for revenue recognition requires management to make use of estimates and assumptions. The Group's real estate sales is based on the percentage-of-completion method measured principally on the basis of total actual cost of resources consumed such as materials, labor hours expended and actual overhead incurred over the total estimated development cost of the

project. Estimated development costs of the project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. The estimated development cost is prepared by the Group's project engineers and are independently reviewed by the Group's third-party independent project engineers. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Estimation of POC of real estate projects
The Group estimates the POC of ongoing projects for purposes of accounting for the estimated costs of development as well as revenue to be recognized. Actual costs of development could differ from these estimates. Such estimates will be adjusted accordingly when the effects become reasonably determinable. The POC is based on the technical evaluation of the independent project engineers as well as management's monitoring of the costs, progress and improvements of the projects. Sales of real estate properties amounted to ₱275.74 million and ₱437.91 million as of March 31, 2020 and March 31 2019, respectively (see Note 6). Cost of real estate sales amounted to ₱141.39 million and ₱230.09 million as of March 31, 2020 and March 31, 2019 (see Note 9).

Provision for expected credit losses of installment contract receivables and contract assets
The Group uses a provision matrix to calculate ECLs for installment contract receivables and contract assets. The provision rates are based on past collection history and other factors, which include, but are not limited to the length of the Group's relationship with the buyer, the buyer's payment behavior and known market factors that affect the collectability of the accounts.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as the inflation rate, gross domestic product, interest rate and unemployment rate. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions such as inflation rate, gross domestic product, interest rate and unemployment rate and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of buyer's actual default in the future. The information about the ECLs on the Group's installment contracts receivable and contract assets is disclosed in Note 27. As of March 31, 2020 and December 31, 2019, installment contracts receivable, contract assets, notes receivable, and other receivables aggregated to ₱2.37 billion and ₱2.41 billion, respectively. No impairment of receivables was recognized in March 31, 2020 and December 31, 2019 (see Notes 6, 7 and 8).

Determination of net realizable value of real estate properties for sale and held for future development
The Group's estimates of net realizable value of real estate properties for sale and held for future development are based on the most reliable evidence available at the time the estimates are made, or the amount that the real estate properties for sale and held for future development are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of net realizable value in each subsequent period. When the circumstances that previously caused the real estate properties for sale to be written down below cost no longer exist or when there is a clear evidence of an increase in net

realizable value because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

The Group's real estate properties for sale as of March 31, 2020 and December 31, 2019 amounted to ₱2.58 billion and ₱2.57 billion, respectively (see Note 9). On the other hand, the Group's real estate properties held for future development as of March 31, 2020 and December 31, 2019 amounted to ₱919.70 million and ₱918.75 million, respectively (see Note 10).

Estimation of useful lives of investment properties and property and equipment
The Group estimates the useful lives of investment properties and property and equipment based on the internal technical evaluation and experience with similar assets. Estimated lives of investment properties and property and equipment are reviewed periodically and updated if expectations differ from previous estimates due to wear and tear, technical and commercial obsolescence and other limits on the use of the assets. Net book value of depreciable investment properties as of March 31, 2020 and December 31, 2019 amounted to ₱1,000.53 million and ₱1,012.20 million, respectively (see Note 11). On the other hand, the net book value of depreciable property and equipment amounted to ₱28.88 million and ₱18.22 million as of March 31, 2020 and December 31, 2019, respectively (see Note 12).

Impairment of financial assets at FVOCI
An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Group evaluates the financial health of the issuer, among others. The Group treats FVOCI equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more of cost and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Determination of the fair value of investment properties
The Group discloses the fair values of its investment properties in accordance with PAS 40, *Investment Property*, the Group engaged SEC-accredited and independent valuation specialists to assess fair value as of December 31, 2019 and 2018. The Group's investment properties consist of land and building pertaining to commercial properties. These are valued by reference to sales of similar or substitute properties and other related market data had the investment properties been transacted in the market. The significant unobservable inputs used in determining the fair value are the sales price per square meter of similar or substitute property, location, size, shape of lot and the highest and best use. Another method used in determining the fair value of land properties is based on the market data approach. The value of land is based on sales and listings of comparable property registered within the vicinity. This requires adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator by adjusting the difference between the subject property and those actual sales and listings regarded as comparables. The comparison is premised on the factors of location; size and shape of the lot; time element and others (see Note 27).

Determination of impairment indicators on investment properties and property and equipment
The Group determines whether its nonfinancial assets such as investment properties and property and equipment are impaired when impairment indicators exist such as significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. When an impairment indicator is noted, the Group makes an estimation of the value-in-use of the cash-generating units to which the assets belong. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating

unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows. No impairment indicator was noted as of March 31, 2020 and December 31, 2019. Net book value of investment properties as of March 31, 2020 and December 31, 2019 amounted to ₱1,977.78 million and ₱1,982.74 million, respectively (see Note 11). On the other hand, the net book value of property and equipment amounted to ₱75.41 million and ₱64.75 million as of March 31, 2020 and December 31, 2019, respectively (see Note 12).

Estimation of retirement benefits cost
The cost of the defined benefit plan and the present value of the defined benefit obligation are determined using actuarial valuations which involves making various assumptions that may differ from actual developments in the future. These assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the various tenors, rates for intermediate durations were interpolated and the rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate.

Estimation of reserves
Reserves are set up for all pre-need benefits guaranteed and payable by CPI as defined in the pre-need plan contracts. The determination of CPI's reserves is based on the actuarial formula, methods, and assumptions allowed by applicable SEC and IC circulars.

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

4. Cash and Cash Equivalents and Short-term and Long-term Investments

Cash and cash equivalents consist of:

	March 31, 2020	December 31, 2019
Cash on hand and in banks	**₱117,790,855**	₱36,974,231
Cash equivalents	**1,751,330,671**	1,896,900,000
	₱1,869,121,526	₱1,933,874,231

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

Short-term investments consist of:

	March 31, 2020	December 31, 2019
Short-term cash investments	**₱183,700,000**	₱102,950,000
Short-term bond investments	**299,999,067**	295,000,000
	₱483,699,067	₱397,950,000

Short-term investments have maturities of more than three months to one year from dates of acquisition and earn interest at the prevailing market rates.

Long-term investments amounting to ₱395.00 million as of March 31, 2020 and December 31, 2019 pertain to bond investments that have maturities of more than one year from the date of acquisition.

Interest income earned from cash in banks, cash equivalents and short-term and long-term investments amounted to ₱28.02 million and ₱30.04 million as of March 31, 2020 and 2019, respectively (see Note 21).

5. **Investments in Trust Funds and Pre-need and Other Reserves**

Investments in trust funds

Pursuant to the provisions of the SEC Memorandum Circular No. 6, *Guidelines on the Management of the Trust Fund of Pre-Need Corporation* (SEC Circular No. 4), the SEC requires, among others, that companies engaged in the sale of pre-need plans and similar contracts to planholders set up a trust fund to guarantee the delivery of property or performance of service in the future. Withdrawals from these trust funds are limited to, among others, payments of pension plan benefits, bank charges and investment expenses in the operation of the trust funds, termination value payable to plan holders, contributions to the trust funds of cancelled plans and final taxes on investment income of the trust funds.

In accordance with the SEC requirements, CPI has funds deposited with two local trustee banks with net assets aggregating to ₱35.50 million and ₱36.75 million as of March 31, 2020 and December 31, 2019, respectively, which are recorded under "Investments in trust funds" account in the consolidated statements of financial position.

The details of investments in trust funds are as follows:

	March 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	**₱6,446,453**	₱5,879,735
Debt and listed equity securities	**25,757,466**	27,579,272
Investment properties	**3,999,490**	3,999,490
Others	**270,089**	268,257
	36,473,498	37,726,754
Liabilities	**(969,312)**	(976,691)
	35,504,186	36,750,063
Less noncurrent portion	**29,516,690**	30,762,567
	₱5,987,496	₱5,987,496

Pre-need and other reserves

Details of pre-need and other reserves are as follows:

	March 31, 2020	December 31, 2019
Transitory pre-need reserves	**₱32,043,033**	₱33,260,782
Reserve for trust fund deficiency	**6,701,986**	6,701,986
Pension bonus reserve	**466,761**	485,253
Insurance premium reserve	**102,232**	102,233
	39,314,012	40,550,254
Less noncurrent portion	**37,180,060**	38,416,302
	₱2,133,952	₱2,133,952

6. **Revenue from Contracts with Customers**

a. Disaggregated Revenue Information

The Group derives revenue from the real estate sales overtime in different product type and geographical location. The disaggregation of each sources of revenue from contracts with customers are presented below:

Real estate sales

Type of Product	**March 31, 2020**	March 31, 2019
High-rise condominium	**₱259,635,635**	₱426,135,968
Parking slots and others	**16,103,437**	11,772,560
Total	**₱275,739,072**	₱437,908,528

Real estate sales of the Group as of the period ended March 31, 2020 and 2019 pertain to sale of properties within Metro Manila.

All of the Group's real estate sales, except for CPI, are revenue from contracts with customers recognized over time and are reported under "Sales of real estate properties" segment. For CPI, real estate sales are revenue from contracts with customers recognized at a point in time.

As of March 31, 2020 and 2019, sales for real estate properties and rental income arose from contracts with external buyers. There were no intercompany sales/transactions made on the said years.

Contract Balances

	March 31, 2020	December 31, 2019
Installment contracts receivable	**₱55,892,433**	₱41,171,092
Contract assets:		
Current	**328,216,307**	315,526,194
Noncurrent	**1,743,044,302**	1,806,629,605
Contract liabilities		
Current	**259,003,368**	206,659,784
Noncurrent	**321,762,838**	314,835,689

Installment contracts receivable as of:

	March 31, 2020	December 31, 2019
Installment contracts receivable	**₱55,892,433**	₱41,171,092
Less noncurrent portion	**29,849,961**	33,779,791
Current portion	**₱26,042,472**	₱7,391,301

Installment contracts receivable arises from sale of real estate properties and is collectible in monthly installments for periods ranging from 1 to 10 years which bear monthly interest rates of 0.67% to 2.00% both in 2020 and 2019 computed on the diminishing balance.

Interest income earned from installment contracts receivable and contract assets amounted to ₱85.15 million and ₱89.23 million as of March 31, 2020 and 2019, respectively (see Note 21).

The Parent Company, CLDI and CI entered into contract of guaranty under Retail Guaranty Line with Home Guaranty Corporation (HGC). The amount of installment contract receivable enrolled and renewed by the Group amounted to ₱2.83 billion as of March 31, 2020 and

December 31, 2019. The Group paid a guaranty premium of 1.00% based on outstanding principal balance of the receivables in 2020 and 2019 (see Note 18).

Contract asset represents the right to consideration that was already delivered by the Group in excess of the amount recognized as installment contracts receivable. This is reclassified as installment contracts receivable when the monthly amortization of the buyer is already due for collection. CPI's sales of real estate properties are recorded as part of installment contracts receivable since all projects of CPI are already completed.

Contract liabilities amounting to ₱580.77 million and ₱521.50 million as of March 31, 2020 and December 31, 2019, respectively, consist of collections from real estate buyers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred by the Group based on percentage of completion.

Movement in contract liability was recognized as income based on the percentage of completion of the ongoing projects. The remaining balance of contract liability will be recognized as income based on the subsequent increase on the percentage of completion of the ongoing projects in the following years.

b. *Performance obligations*

Information about the Group's performance obligations are summarized below:

Real estate sales
The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit may cover either the parking lot or condominium unit and the Group concluded that there is one performance obligation in each of these contracts. The Group, except for CPI, recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction. CPI recognizes revenue from the sale of these real estate projects at a point in time when control of the asset is transferred to the buyer, generally when the condominium units are delivered to and accepted by the buyer.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the buyer. The financing scheme would include down payment of generally 5% to 10% of the contract price with the remaining balance payable through in-house financing which ranges from one (1) month to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the buyer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) are as follows:

	March 31, 2020	December 31, 2019
Within one year	**₱519,832,004**	₱461,678,672
More than one year	**887,605,739**	940,312,003
	₱1,407,437,743	₱1,401,990,675

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's condominium units are completed within three years to five years from start of construction.

Rental agreements
The Group entered into lease agreements for its buildings for lease with the following identified performance obligations: (a) lease of space, (b) provisioning of water and electricity, (c) provision of air conditioning and CUSA services and (d) administration fee. Revenue from lease of space is recognized on a straight-line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to issue post-dated checks on the monthly rental payments. In case of delay in payments, a penalty of about 4% per annum is charged for the amount due for the duration of delay. The lease arrangement for the Group's long-term lease transactions would typically require a tenant to pay advance rental equivalent to three (3) months and a security deposit equivalent to three (3) months rental to cover any breakages after the rental period, with the excess returned to the tenant.

c. *Cost to Obtain Contract*

The balances below pertain to the cost to obtain contracts as of March 31, 2020 and December 31, 2019 as presented in the consolidated statements of financial position:

	March 31, 2020	December 31, 2019
Balance at beginning of year	**₱37,459,299**	₱33,069,254
Additions	**4,854,777**	39,694,740
Amortization	**(3,631,687)**	(35,304,695)
Balance at end of year	**38,682,389**	37,459,299
Less noncurrent portion	**24,479,198**	25,170,158
Current portion	**₱14,203,191**	₱12,289,141

7. Notes Receivable

Notes receivable from various financial institutions earns interest at the prevailing market interest rates ranging from 3.200% to 3.600%.

There were no properties offered as collaterals for the said notes receivable. Details of notes receivables as of March 31, 2020 and December 31, 2019 are as follows:

Date of Placement	Amount	Maturity Date
April 2017	₱180,000,000	April 2020
August 2016	20,000,000	August 2020
Total	₱200,000,000	

Interest income earned from notes receivable amounted to ₱1.42 million and ₱13.32 million as of March 31, 2020 and 2019, respectively (see Note 21).

8. Other Receivables

Other receivables consist of:

	March 31, 2020	December 31, 2019
Rent receivable	**₱15,558,406**	₱14,299,254
Accrued interest (Note 26)	**10,630,067**	14,195,028
Advances to customers	**8,997,973**	12,161,246
Retention	**2,992,090**	2,842,091
Advances to condominium corporations	**909,980**	634,407
Due from related parties (Note 26)	**237,841**	–
Others	**2,069,551**	323,117
	41,395,908	44,455,143
Less noncurrent portion	**1,375,405**	1,355,168
Current portion	**₱40,020,503**	₱43,099,975

Rent receivable arose from the investment properties rented-out under non-cancellable long-term operating lease contracts (see Note 11). Accrued interest pertains to interest income earned as of December 31 but not yet received by the Group. Advances to customers are receivables of the Group for the real estate property taxes of sold condominium units initially paid by the Group. Retention pertains to the amount held on cash sale of real estate properties. Advances to condominium corporations pertain to disbursements which are collectible from condominium corporations. Other receivables include employees' advances and receivables from buyers for expenses initially paid by Group.

9. Real Estate Properties for Sale

Real estate properties for sale consists of costs incurred in the development of condominium units and residential houses. Real estate properties for sale includes deemed cost adjustment amounting to ₱4.70 million and ₱5.86 million as of March 31, 2020 and December 31, 2019, respectively (see Note 16). The deemed cost adjustment arose when the Group transitioned to PFRSs in 2005.

The movements in real estate properties for sale are as follows:

	March 31, 2020	December 31, 2019
Balances at beginning of year	**₱2,565,950,797**	₱1,916,113,031
Construction/development costs incurred	**136,031,152**	1,421,829,871
Disposals (cost of real estate sales)	**(141,387,812)**	(898,493,584)
Transfer from (to) investment properties (Note 11)	**(1,656,533)**	17,176,771
Transfer from real estate properties held for future development (Note 10)	–	50,292,025
Borrowing costs capitalized (Note 22)	**5,544,574**	29,139,958
Other adjustments - net	**20,338,424**	29,892,725
Balances at end of the period / year	**₱2,584,820,602**	₱2,565,950,797

Real estate properties for sale account includes capitalized borrowing costs incurred during each year in connection with the development of the properties. The average capitalization rate used to determine the amount of capitalized borrowing costs eligible for capitalization is 2.24% and 3.61% in March 31, 2020 and December 31, 2019, respectively.

Other adjustments include realized deemed cost adjustment and the recognition of repossessed real estate properties measured at fair value less cost to sell at the date of repossession.

10. **Real Estate Properties Held for Future Development**

Real estate properties held for future development include land properties reserved by the Group for its future condominium projects.

Movements in real estate properties held for future development are as follows:

	March 31, 2020	December 31, 2019
Balances at beginning of year	**₱918,753,667**	₱973,872,993
Additions	**944,671**	2,670,691
Transfer to real estate properties for sale (Note 9)	–	(50,292,025)
Cost adjustment (Note 15)	–	(7,497,992)
Balances at end of the period / year	**₱919,698,338**	₱918,753,667

11. **Investment Properties**

Investment properties consist of:

	March 31, 2020	December 31, 2019
Real estate properties for lease	**₱1,796,642,903**	₱1,801,605,076
Real estate properties held for capital appreciation	**181,139,332**	181,139,332
	₱1,977,782,235	₱1,982,744,408

Movements in investment properties are as follows:

	March 31, 2020			
	Land	**Building**	**Machinery and Equipment**	**Total**
Costs				
Balances at beginning of year	**₱970,548,725**	**₱1,052,432,217**	**₱209,842,767**	**₱2,232,823,709**
Additions	**6,707,399**	**–**	**79,929**	**6,787,328**
Transfer from real estate properties for sale (Note 9)	**–**	**1,532,289**	**–**	**1,532,289**
Balances at end of the period	**977,256,124**	**1,053,964,506**	**209,922,696**	**2,241,143,326**
Accumulated Depreciation				
Balances at beginning of year	**–**	**188,153,332**	**61,925,969**	**250,079,301**
Depreciation (Notes 18 and 20)	**–**	**10,190,744**	**3,215,290**	**13,406,034**
Transfer to real estate properties for sale (Note 9)	**–**	**(124,244)**	**–**	**(124,244)**
Balances at end of period	**–**	**198,219,832**	**65,141,259**	**263,361,091**
Net Book Values	**₱977,256,124**	**₱855,744,674**	**₱144,781,437**	**₱ 1,977,782,235**

	December 31, 2019			
	Land	Building	Machinery and Equipment	Total
Costs				
Balances at beginning of year	₱963,561,804	₱1,072,659,516	₱208,978,446	₱2,245,199,766
Additions	6,986,921	–	864,321	7,851,242
Transfer to real estate properties for sale (Note 9)	–	(20,227,299)	–	(20,227,299)
Balances at end of year	970,548,725	1,052,432,217	209,842,767	2,232,823,709
Accumulated Depreciation				
Balances at beginning of year	–	150,485,246	48,712,747	199,197,993
Depreciation (Notes 18 and 20)	–	40,718,614	13,213,222	53,931,836
Transfer to real estate properties for sale (Note 9)	–	(3,050,528)	–	(3,050,528)
Balances at end of year	–	188,153,332	61,925,969	250,079,301
Net Book Values	₱970,548,725	₱864,278,885	₱147,916,798	₱1,982,744,408

Investment properties as of March 31, 2020 and December 31, 2019 include the following buildings for lease registered with Philippine Economic Zone Authority (PEZA) which are leased out to third parties:

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

The net book values of land and building include net deemed cost adjustment amounting to ₱158.67 million as of March 31, 2020 and December 31, 2019 (see Note 16). The deemed cost adjustment arose when the Group transitioned to PFRSs in 2005.

Based on the appraisal reports by SEC-accredited and independent firms of appraisers using market data and sales comparison approach at various dates in 2019 and 2018, appraised values of these investment properties amounted to ₱4.86 billion and ₱4.52 billion as of dates of appraisal in 2019 and 2018, respectively (see Note 27).

The following are the long-term lease contracts entered into by the Group as of March 31, 2020:

Commencement of lease term	Lessee (Third Parties)	Term
2020	Domestic Corporation	5 years
2020	Domestic Corporation	3 years
2020	Domestic Corporation	5 years
2020	Domestic Corporation	5 years
2020	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2018	BPO	5 years
2018	Domestic Corporation	3 years

Commencement of lease term	Lessee (Third Parties)	Term
2018	Convenience Store	5 years
2018	Domestic Corporation	3 years
2018	Domestic Corporation	3 years
2017	BPO	3 years
2017	Convenience Store	5 years
2017	Fast Food	10 years
2017	Domestic Corporation	5 years
2011	Fast Food	10 years

The lease contracts include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. There were two lease contracts terminated during 2019 and one lease contract during the first quarter 2020.

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

	March 31, 2020	December 31, 2019
Within one year	**₱155,143,868**	₱124,608,097
After one year but not more than five years	**481,537,795**	390,302,174
Later than five years	**11,811,436**	14,306,824
	₱648,493,099	₱529,217,095

Rent income from investment properties amounted to ₱46.00 million and ₱33.52 million as of March 31, 2020 and 2019, respectively.
Other lease agreements with third parties are generally for a one-year term renewable every year.

12. Property and Equipment

Property and equipment consist of:

	March 31, 2020						
	Land	**Building**	**Office Premises**	**Furniture, Fixtures and Office Equipment**	**Transportation and Other Equipment**	**Right-of-use Assets** (Note 25)	**Total**
At Cost							
Balances at beginning of year	**₱46,526,324**	**₱8,649,376**	**₱–**	**₱29,268,716**	**₱5,032,835**	**₱8,879,228**	**₱98,356,479**
Additions	–	–	–	**6,785,714**	–	**5,376,091**	**12,161,805**
Balances at end of the period	**46,526,324**	**8,649,376**	–	**36,054,430**	**5,032,835**	**14,255,319**	**110,518,284**
Accumulated Depreciation							
Balances at beginning of year	–	**374,806**	–	**25,837,370**	**4,853,219**	**2,557,120**	**33,622,515**
Depreciation	–	**86,494**	–	**420,077**	**43,839**	**937,952**	**1,488,362**
Balances at end of year	–	**461,300**	–	**26,257,447**	**4,897,058**	**3,495,072**	**35,110,877**
Net Book Value	**46,526,324**	**8,188,076**	–	**9,796,983**	**135,777**	**10,760,247**	**75,407,407**
At Deemed Cost							
Balances at beginning and end of year	–	–	**253,365,628**	–	–	–	**253,365,628**
Accumulated Depreciation							
Balances at beginning of year	–	–	**253,352,752**	–	–	–	**253,352,752**
Depreciation	–	–	**12,744**	–	–	–	**12,744**
Balances at end of the period	–	–	**253,365,496**	–	–	–	**253,365,496**
Net Deemed Cost	–	–	**132**	–	–	–	**132**
Total	**₱46,526,324**	**₱8,188,076**	**₱132**	**₱9,796,983**	**₱135,777**	**₱10,760,247**	**₱75,407,539**

	December 31, 2019						
	Land	Building	Office Premises	Furniture, Fixtures and Office Equipment	Transportation and Other Equipment	Right-of-use Assets (Note 25)	Total
At Cost							
At January 1, as previously reported	₱46,526,324	₱8,649,376	₱–	₱29,268,716	₱5,032,835	₱–	₱89,477,251
Effect of adoption of PFRS 16 (Note 2)	–	–	–	–	–	8,879,228	8,879,228
At January 1, as restated / Balances at end of year	46,526,324	8,649,376	–	29,268,716	5,032,835	8,879,228	98,356,479
Accumulated Depreciation							
Balances at beginning of year	–	28,831	–	24,344,564	4,667,341	–	29,040,736
Depreciation	–	345,975	–	1,492,806	185,878	2,557,120	4,581,779
Balances at end of year	–	374,806	–	25,837,370	4,853,219	2,557,120	33,622,515
Net Book Value	46,526,324	8,274,570	–	3,431,346	179,616	6,322,108	64,733,964
At Deemed Cost							
Balances at beginning and end of year	–	–	253,365,628	–	–	–	253,365,628
Accumulated Depreciation							
Balances at beginning of year	–	–	252,956,315	–	–	–	252,956,315
Depreciation	–	–	396,437	–	–	–	396,437
Balances at end of year	–	–	253,352,752	–	–	–	253,352,752
Net Deemed Cost	–	–	12,876	–	–	–	12,876
Total	₱46,526,324	₱8,274,570	₱12,876	₱3,431,346	₱179,616	₱6,322,108	₱64,746,840

For the office premises, the Group elected to apply the optional exemption under PFRS 1, *First-Time Adoption of PFRS*, to use the revalued amount as deemed cost as at January 1, 2005, the date of transition to PFRSs.

The balances at pre-PFRS cost of the office premises are as follows:

	March 31, 2020	December 31, 2019
Office premises	**₱55,775,746**	₱55,775,746
Less accumulated depreciation	**55,775,612**	55,773,015
Net book values	**₱134**	₱2,731

Difference between the net deemed cost and the net pre-PFRSs cost amounting to ₱0.01 million as of December 31, 2019 represents the remaining balance of the deemed cost adjustment.

The Group adopted PFRS 16, *Leases* on January 1, 2019 for its contracts of lease wherein the Group is acting as the lessee. The said leases pertain to lease of office spaces for the period of 2 to 5 years. At the initial recognition, the right-of-use assets were recognized at cost amounting to ₱8.88 million (see Note 2). Subsequently, this is being amortized based on the remaining lease term. The Group recorded as part of "Property and equipment" the right-of-use assets amounting to ₱10.76 million and ₱6.32 million as of March 31, 2020 and December 31, 2019, respectively. Depreciation expense related to right-of-use assets amounted to ₱0.94 million and ₱0.64 million as of March 31, 2020 and March 31, 2019, respectively (see Note 20). During the first quarter of 2020, CDC entered into lease contracts for a period of 3 years whereby CDC is the lessee.

Other lease contracts entered by the Group pertain to short-term leases of office space and transportation equipment with rent expense amounting to ₱0.28 million incurred as of March 31, 2020. The Group does not have any lease contracts pertaining to low value assets. Further, the Group does not have any sublease and leaseback transactions. Thus, there were no income arising from sublease, sale and leaseback transaction.

The cost of fully depreciated property and equipment still used in operations amounted to ₱27.57 million as of March 31, 2020 and December 31, 2019.

13. **Other Assets**

Other current assets amounting to ₱29.75 million and ₱ 40.39 million as of March 31, 2020 and December 31, 2019, respectively, consist of input VAT, advances to contractors and prepaid real estate taxes.

Other noncurrent assets consist of:

	March 31, 2020	December 31, 2019
Guaranty deposits (Note 26)	**₱257,150,000**	₱257,150,000
Unused input VAT	**33,730,138**	32,948,298
Deposits and others	**14,256,429**	14,950,364
Advances to contractors	**2,753,701**	1,244,852
Financial assets at FVOCI	**781,406**	747,611
	₱308,671,674	₱307,041,125

Guaranty deposits pertain to placements made by Credit and Land Holdings, Inc. (CLHI), an affiliate of the Parent Company, in favor of the Housing and Land Use Regulatory Board (HLURB) wherein the Parent Company is required to secure a cash bond in relation to the construction and development of its ongoing projects (see Note 26). The interest income earned from guaranty deposits amounted to ₱2.90 million and ₱2.89 million as of March 31, 2020 and March 31, 2019 (see Notes 21 and 26).

Advances to contractors are advances made by the Group for the contractors' supply requirement whereas deposits and others represent payments made by the Group to various utility companies for the installation of electric and water meters for unsold condominium units.

The unused input VAT arose from the purchase of parcels of land in previous years recorded as part of "Real estate properties held for future development" and "Investment properties" accounts in March 31, 2020 and December 31, 2019, respectively (see Notes 10 and 11)

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

The Group sold shares of stock with listed corporations resulting to a gain on sale amounting to ₱0.03 million and nil as March 31, 2020 and March 31, 2019, respectively (see Note 23).

The movement in the account presented in the equity section of the consolidated statements of financial position is as follows:

	March 31, 2020	December 31, 2019
Balances at beginning of year	**₱1,911,998**	₱598,029
Changes in fair value	**(1,524,749)**	1,313,969
Balances at end of year	**₱387,249**	₱1,911,998

14. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	March 31, 2020	December 31, 2019
Trade payables	**₱79,323,071**	₱85,546,857
Customers' deposits	**66,271,838**	67,729,323
Accrued expenses:		
Development costs	**98,792,313**	189,894,653
Directors' fee (Note 26)	**54,503,736**	48,079,977
Sick leave (Note 24)	**35,988,069**	36,597,132
Interest payable	**2,739,324**	2,722,641
Taxes, premiums, others	**8,027,336**	663,786
Deferred rent income	**51,595,882**	36,516,320
Dividends payable	**13,109,230**	12,743,703
Withholding taxes payable	**7,912,726**	8,431,926
Lease liabilities (Note 25)	**11,355,113**	6,815,350
VAT payable	**3,452,753**	–
Due to related parties (Note 26)	**3,698,829**	3,438,858
Others	**6,211,005**	9,203,865
	442,981,225	508,384,391
Less noncurrent portion	**174,660,388**	156,825,877
Current portion	**₱268,320,837**	₱351,558,514

Trade payables consist of payables to suppliers, contractors and other counterparties. Customers' deposits consist of buyers' reservation fees, rental deposits and collected deposits for water and electric meters of the sold units. Accrued development costs represent the corresponding accrued expenses for the completed condominium units of the Group. Deferred rent income pertains to rent received from long-term operating lease. Other payables consist substantially of commissions payable, unclaimed checks of pension holders, and payables due to government agencies.

Lease liabilities pertain to the present value of the lease payments that are not yet paid during the remaining lease period. Interest expense related to the lease liabilities amounted to ₱0.15 million as of March 31, 2020 and 2019 (see Note 22). There were no expenses relating to variable lease payments that were not included in the measurement of lease liabilities.

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

The following are the amounts recognized in March 31, 2020 and 2019 consolidated statement of income:

	March 31, 2020	March 31, 2019
Depreciation expense of right-of-use assets included in property and equipment (Note 12)	**₱937,952**	₱639,280
Interest expense on lease liabilities (Note 22)	**152,686**	152,504
Total amount recognized in consolidated statement of income	**₱1,090,638**	₱791,784

The rollforward analysis of lease liabilities as of March 31, 2020 and December 31, 2019 follows:

	March 31, 2020	December 31, 2019
Beginning of the period / year	**₱6,815,350**	₱8,879,228
Additions	**5,376,091**	–
Interest expense (Note 22)	**152,686**	557,387
Payment	**(989,014)**	(2,621,265)
Ending of the period / year	**₱11,355,113**	₱6,815,350

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

	March 31, 2020	December 31, 2019
1 year	**₱4,443,261**	₱2,621,265
More than 1 year to 2 years	**3,829,303**	2,693,868
More than 2 years to 3 years	**4,021,391**	1,920,875
More than 3 years to 4 years	**1,074,098**	2,112,963
More than 5 years	–	915,063

Other payables consist of deferred credit and payable to employees.

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

			Payments		
	January 1, 2020	**Additions**	**Expensed**	**Capitalized**	**March 31, 2020**
Dividends payable (Note 16)	**₱12,743,703**	**₱365,527***	**₱–**	**₱–**	**₱13,109,230**
Accrued interest (Note 15)	**2,722,641**	**6,697,846**	**(1,136,589)**	**(5,544,574)**	**2,739,324**
	₱15,466,344	**₱7,063,373**	**(₱1,136,589)**	**(₱5,544,574)**	**₱15,848,554**

**Pertains to dividends declared to stockholders whose checks already staled.*

			Payments		
	January 1, 2019	Additions	Expensed	Capitalized	December 31, 2019
Dividends payable (Note 16)	₱11,900,913	₱216,712,757	(₱215,869,967)	₱ –	₱12,743,703
Accrued interest (Note 15)	6,007,542	44,119,958	(18,264,901)	(29,139,958)	2,722,641
	₱17,908,455	₱260,832,715	(₱234,134,868)	(₱29,139,958)	₱15,466,344

15. Notes and Contracts Payable

The details of notes and contracts payable are as follows:

	March 31, 2020	December 31,2019
Notes payable	**₱1,052,900,000**	**₱1,196,050,000**
Contracts payable	**–**	**–**
	₱1,052,900,000	**₱1,196,050,000**

Notes payable pertain to commercial papers with varying maturities ranging from 30 to 365 days and annual interest rates ranging from 0.69% to 2.44% and 1.19% to 3.81% as March 31, 2020 and December 31, 2019, respectively.

On October 23, 2019, the SEC authorized the Parent Company to issue a total of ₱1.40 billion worth of commercial papers registered with SEC. On the other hand, CLDI no longer applied for a new Certificate of Permit to Offer Securities for Sale for the year 2019. All outstanding commercial papers issued were paid to the investors on or before November 6, 2019.

On various dates in 2018, the SEC authorized the Parent Company and CLDI to issue total aggregated amount of ₱1.75 billion worth of commercial papers registered with the SEC in accordance with the provision of the Securities Regulation Code and its implementing rules and regulations and other applicable laws and orders.

Outstanding commercial papers issued by the Parent Company and CLDI as of March 31, 2020 and December 31, 2019 aggregated to ₱1.05 billion and ₱1.20 billion, respectively.

The movements in notes payable are as follows:

	March 31, 2020	December 31, 2019
Beginning balance	**₱1,196,050,000**	₱1,358,050,000
Availment	**1,167,900,000**	5,979,800,000
Payment	**(1,311,050,000)**	(6,141,800,000)
Ending balance	**₱1,052,900,000**	₱1,196,050,000

Interest expense related to notes payable amounted to ₱6.40 million and ₱14.76 million March 31, 2020 and March 31, 2019, respectively (see Note 22). Capitalized borrowing costs amounted to ₱5.54 million and ₱29.14 million in March 31, 2020 and December 31, 2019, respectively (see Notes 9, 11 and 22). Total interest paid amounted to ₱6.68 million and ₱47.40 million as of March 31, 2020 and December 31, 2019, respectively.

The Parent Company, CI, CLDI and CPI (the Cityland Group) have credit lines with financial institutions aggregating to about ₱2.50 billion as of March 31, 2020 and December 31, 2019, respectively, which are available for drawing by any of the companies in the Cityland Group. No loans were availed by Cityland Group from the credit line in March 31, 2020 and December 31, 2019.

The Parent Company has specific credit lines amounting to ₱500.00 million in March 31, 2020 and December 31, 2019. As of March 31, 2020 and December 31, 2019, no loans were availed from the credit line.

The carrying values of the Company's investment properties and real estate properties for sale that will be used as collaterals for the Group 's credit lines as of March 31, 2020 and December 31, 2019 are as follows:

Investment properties	**₱146,666,172**
Real estate properties for sale	**50,476,720**
Total	**₱197,142,892**

Contracts payable amounting to ₱7.50 million as of December 31, 2018, represents liability arising from a contract entered into by CLDI to purchase land for future development (see Note 10). This was settled through cost adjustment of property in 2019.

16. Equity

a. The Parent Company registered 10,000,000 shares with the SEC on June 15, 1978 with an initial offer price of ₱10.00. On July 27, 2012, the SEC approved the Amended Articles of Incorporation on the application for increase in authorized capital stock from ₱3.00 billion to ₱4.00 billion with a par value of ₱1.00 each. As of March 31, 2020 and December 31, 2019, the Parent Company has 4,405,677,031 shares held by 653 and 655 equity holders, respectively.

On the special stockholders' meeting held last October 5, 2018, the stockholders representing two-thirds (2/3) of the outstanding capital stock approved and ratified the declaration of 6.5% stock dividends which shall come from the unappropriated retained earnings as of December 31, 2017 through an increase in authorized capital stock of One Billion (1,000,000,000) shares with par value of One Peso (₱1.00). The application for the increase in authorized capital stock was approved by the SEC last March 14, 2019 thereby increasing the Parent Company's authorized capital stock to 5,000,000,000 shares with par value of One Peso (₱1.00).

The above declaration amends the previously 5% stock dividends declared by the Board of Directors last May 2, 2018 and approved by stockholders last June 5, 2018. On July 20, 2018 after initial assessment of SEC on the Parent Company's application of increase in authorized capital stock of One Billion (1,000,000,000) shares, the Board resolved and approved the cancellation of the Parent Company's application with SEC to increase the percentage of stock dividends and set a special stockholders' meeting.

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

	March 31, 2020		December 31, 2019	
	Shares	**Amount**	Shares	Amount
Authorized shares- ₱1 par value				
Beginning of the year	**5,000,000,000**	**₱5,000,000,000**	4,000,000,000	₱4,000,000,000
Increase in authorized capital stock	**–**	**–**	1,000,000,000	1,000,000,000
End of the period / year	**5,000,000,000**	**₱5,000,000,000**	5,000,000,000	₱5,000,000,000
Issued, beginning of year	**4,405,677,031**	**₱4,405,677,031**	3,940,001,648	₱3,940,001,648
Treasury stock	**(4,506,165)**	**(4,506,165)**	(4,506,165)	(4,506,165)
Outstanding	**4,401,170,866**	**4,401,170,866**	3,935,495,483	3,935,495,483
Stock dividends	**–**	**–**	465,675,383	465,675,383
	4,401,170,866	**4,401,170,866**	4,401,170,866	4,401,170,866
Treasury stock	**4,506,165**	**4,506,165**	4,506,165	4,506,165
Issued, end of the period / year	**4,405,677,031**	**₱4,405,677,031**	4,405,677,031	₱4,405,677,031

Treasury stock includes 2,568,218 shares as of March 31, 2020 and December 31, 2019, respectively, held by CPI.

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

Dividends	BOD Approval Date	Stockholders' Approval Date	Per Share	Stockholders of Record Date	Date Issued/Paid
Cash	May 30, 2019	–	₱0.0450	June 17, 2019	June 28, 2019
	May 8, 2018	–	0.0301	May 23, 2018	June 07, 2018
	May 23, 2017	–	0.0360	June 6, 2017	June 22, 2017
Stock	April 25, 2019	June 6, 2019	5%	July 5, 2019	July 31, 2019
	September 5, 2018	October 5, 2018	6.5%	April 12, 2019	May 10, 2019
	April 27, 2017	June 6, 2017	5%	July 6, 2017	August 1, 2017

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

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

In the special meeting held on April 25, 2019, the Board of Directors approved the declaration of 5% stock dividends to stockholders of record as of record as of July 5, 2019 and was distributed on July 31, 2019. This was approved and ratified by the stockholders during the Annual Stockholders' Meeting last June 6, 2019. The record date of the said meeting was on May 6, 2019.

c. In a special meeting held on April 7, 2020, the Board of Directors of Cityland Development Corporation resolved to postpone the 2020 Annual Stockholders' Meeting which is originally scheduled on June 2, 2020 in order to safeguard the health and safety of the stockholders due to COVID-19 and enable the Company to prepare all reports and matters to be submitted for the approval of the stockholders. The Company will submit a SEC Form 17-C once a new date of the meeting has been determined.

On August 2, 1983, the PSE approved the listing of the Parent Company's common shares totaling 10,000,000 shares. The shares were initially issued at an offer price of ₱10.00 per share.

After the initial listing in 1983, there had been subsequent issuances covering a total of 4,393,739,084 shares.

Below is the summary of the Parent Company's track record of registration of securities with the SEC and PSE as at March 31, 2020:

	Number of Shares Registered	No of holders of securities as of year end
December 31, 2018	3,938,063,701	661
Add/(Deduct) Movement	465,675,383	(6)
December 31, 2019	4,403,739,084	655
Add/(Deduct) Movement	–	(2)
March 31, 2020	**4,403,739,084**	**653**

17. **Material Partly Owned Subsidiary**

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

Proportion of equity interest held by non-controlling interests as of March 31, 2020 and December 31, 2019:

CLDI	50.27%
CPI	9.19%

18. Operating Expenses

Operating expenses consist of:

	March 31, 2020	March 31, 2019
Personnel (Note 19)	**₱44,759,980**	₱45,595,346
Taxes and licenses	**43,995,151**	41,318,054
Depreciation (Note 20)	**14,907,140**	15,540,549
Professional fees	**9,045,152**	7,471,246
Light, power and water	**8,194,009**	6,201,807
Brokers' commission	**5,985,574**	3,976,921
Outside services	**2,875,740**	4,888,089
Repairs and maintenance	**2,709,277**	1,622,727
Membership dues	**2,152,396**	1,512,649
Insurance	**1,921,412**	3,853,811
Advertising and promotions	**799,786**	799,010
Postage, telephone and telegraph	**577,789**	620,797
Rent expense	**276,230**	510,980
Stationery and office supplies	**213,947**	420,681
Others	**2,838,133**	1,738,918
	₱141,251,716	₱136,071,585

Others include transportation and miscellaneous expenses.

19. Personnel Expenses

Personnel expenses consist of:

	March 31, 2020	March 31, 2019
Salaries and wages	**₱26,015,326**	₱21,926,350
Commissions	**8,236,528**	9,465,389
Bonuses and other employee benefits	**10,508,126**	14,203,607
	₱44,759,980	₱45,595,346

20. Depreciation

Depreciation consists of:

	March 31, 2020	March 31, 2019
Investment properties (Note 11)	**₱13,406,034**	₱13,973,035
Property and equipment (Note 12)	**1,501,106**	1,567,514
	₱14,907,140	₱15,540,549

Depreciation expense of property and equipment in March 31, 2020 and 2019 includes ₱0.94 million and ₱0.64 million pertaining to the right-of-use asset as an effect of adoption of PFRS 16 on January 1, 2019.

21. Financial Income

Financial income consists of:

	March 31, 2020	March 31, 2019
Interest income from:		
Installment contracts receivable and contract assets (Note 6)	**₱85,149,416**	₱89,225,719
Cash equivalents and short-term and long-term investments (Note 4)	**27,932,337**	29,872,281
Guaranty deposits (Notes 13 and 26)	**2,902,022**	2,890,464
Notes receivable (Note 7)	**1,417,333**	13,319,986
Cash in banks (Note 4)	**86,458**	168,087
Dividend income (Note 13)	**–**	3,834
	₱117,487,566	₱135,480,371

22. Financial Expenses

Financial expenses consist of:

	March 31, 2020	March 31, 2019
Interest expense on notes payable (Note 15)	**₱6,398,620**	₱14,764,569
Less: Capitalized borrowing costs (Notes 9, 11 and 15)	**(5,544,574)**	(8,679,214)
	854,046	6,085,355
Finance charges	**354,550**	420,396
Interest expense on security deposits	**299,226**	453,790
Interest expense on lease liabilities (Note 14)	**152,686**	152,504
	₱1,660,508	₱7,112,045

23. Other Income/Expenses

Other income
Other income amounting to ₱38.54 million and ₱39.68 million as of March 31, 2020 and 2019, respectively, pertains to trust fund income, penalties for buyers' late payments, sale of scraps, gain on sale of shares of stock and forfeiture of reservations/downpayments received on sales which were not consummated.

Other expenses
Other expenses amounting to ₱10.60 million and ₱12.31 million as of March 31, 2020 and 2019, respectively, pertain to loss due to forfeiture/cancellation of sales.

24. Employee Benefits

Under the existing regulatory framework, Republic Act 7641, *The Philippine Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employees retirement benefit under the collective bargaining and other agreements shall not be less than provided under the law. The law does not require minimum funding of the plan.

Accrued sick leave
Employees are entitled to paid sick leave of 15 days per year of service after issuance of regular appointment, computed at 1.25 days per month of service, enjoyable only after one year of regular service. Unused sick leaves are cumulative and convertible to cash based on the employee's salary at the time that the employee is leaving the Group. Accrued sick leave, presented under "Accounts payable and accrued expenses - noncurrent portion" account, amounted to ₱35.99 million and ₱36.60 million as of March 31, 2020 and December 31, 2019, respectively (see Note 14).

25. **Income Taxes**

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

	March 31, 2020	March 31, 2019
Current	**₱39,926,773**	₱34,899,937
Deferred	**(6,191,883)**	3,435,800
Final tax	**6,187,736**	8,910,442
	₱39,922,626	₱47,246,179

b. The components of net deferred income tax assets (liabilities) are as follows:

	March 31, 2020	December 31, 2019
Deferred income tax assets on:		
Accrued expenses	**₱28,518,662**	₱26,811,665
Difference between tax basis and book basis of accounting for real estate transactions	**19,474,344**	17,466,151
Actuarial loss on defined benefit plan	**12,354,800**	12,354,800
Unearned rent revenue	**8,528,671**	4,830,241
Lease liabilities (Notes 12 and 14)	**178,460**	147,973
	69,054,937	61,610,830
Deferred income tax liabilities on:		
Deemed cost adjustment in properties (Note 16)	**(49,008,966)**	(49,360,300)
Capitalized borrowing costs	**(19,758,773)**	(18,525,185)
Net retirement plan assets	**(13,257,408)**	(13,257,408)
Cost to obtain contract (Notes 6)	**(11,604,717)**	(11,237,790)
	(93,629,864)	(92,380,683)
Net deferred income tax liabilities	**(₱24,574,927)**	(₱30,769,853)

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

	March 31, 2020	December 31, 2019
Deferred income tax assets - net: CLDI	**₱12,012,398**	₱8,192,586
Deferred income tax liabilities - net:		
Parent Company	**(33,055,042)**	(35,065,780)
CPI	**(3,532,283)**	(3,896,659)
	(36,587,325)	(38,962,439)
	(₱24,574,927)	(₱30,769,853)

26. **Related Party Transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group discloses the nature of the related party relationship and information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the consolidated financial statements, including, as a minimum, the amount of outstanding balances and its terms and conditions including whether they are secured, and the nature of the consideration to be provided in settlement.

The Group, in the normal course of business, has transactions and account balances with related parties consisting mainly of the following:

			Outstanding Balances				
	Amount of Transactions	Receivable (Note 8)	Receivable (Note 8)		Payable (Note 14)		
Nature of Transaction	**March 31, 2020**	December 31, 2019	**March 31, 2020**	December 31, 2019	**March 31, 2020**	December 31, 2019	Terms and Conditions
Ultimate parent (CI)							
Sharing of expenses charged by the Parent Company (Note 26c)	**(₱22,130)**	(₱1,595,407)	**₱237,841**	₱–	**₱3,698,829**	₱3,438,858	30-day, unsecured, non-interest bearing; to be settled in cash
CLHI							
Interest income from guaranty deposits (Note 26f)	**2,902,022**	11,571,750	**1,491,470**	1,484,203	**–**	–	Settled in cash
Key management personnel							
Salaries and other compensation	–	₱25,892,840	**–**	–	**54,503,736**	48,079,977	Settled in cash
Total			**₱1,729,311**	₱1,484,203	**₱58,202,565**	₱51,518,835	

The transactions of the Parent Company with CLDI and CPI are eliminated in the consolidated statements of financial positions and consolidated statements of income.

a. The Group has an existing management contract with CI wherein the latter provides management services to the Group. The agreement is for a period of five years renewable automatically for another five years unless either party notifies the other party six months prior to expiration. Management fee is based on a certain percentage of net income as mutually agreed upon by both parties. Management fees as of March 31 2020, 2019 and 2018 were waived by CI. There are no conditions attached to the waiver of these management fees.

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

c. The Group has various shared expenses with other affiliates pertaining to general and administrative expenses such as salaries, transportation, association dues, professional fees and rent.

d. The Group, jointly with affiliated companies under common control, has a trust fund for the retirement plan of their employees. The trust fund is being maintained by a third-party trustee bank under the supervision of the Retirement Committee of the plan who is responsible for the investment strategy of the plan.

e. The Group has no standard arrangements with regard to the remuneration of its directors. Moreover, the Group has no standard arrangement with regard to the remuneration of its existing officers aside from the compensation received or any other arrangements in the employment contracts and compensatory plan. The Group does not have any arrangements for stock warrants or options offered to its employees.

f. In 2018, the Company through its affiliate – Credit and Land Holdings, Inc., issued a cash bond amounting ₱257.15 million in favor of HLURB in relation to the construction and development of its ongoing projects which was recorded as guaranty deposit under "Other noncurrent assets". The said amount was placed by CLHI to a financial institution with a maturity of five (5) years. Interest income earned amounted to ₱2.90 million and ₱2.89 million in March 31, 2020 and 2019, respectively (see Notes 8 and 13).

27. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, short-term and long-term investments, notes receivable and notes and contracts payable. The main purpose of these financial instruments is to finance the Group's operations. The Group's other financial instruments consist of financial assets at fair value through profit or loss and financial assets at FVOCI, which are held for investing purposes and investments in trust funds to cover pre-need reserves obligation. The Group has various other financial instruments such as installment contracts receivable, other receivables and accounts payable and accrued expenses which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk (i.e., cash flow interest rate risk and equity price risk), credit risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

Market risk

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's short-term notes payable, all with repriced interest rates.

The Group's policy in addressing volatility in interest rates includes maximizing the use of operating cash flows to be able to fulfill principal and interest obligations even in periods of rising interest rates.

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates based on forecasted and average movements of interest rates (with all other variables held constant):

	Change in bps	Effect on Income before Income Tax
March 31, 2020	**+/-00 bps**	**+/- ₱17,898**
December 31, 2019	+/-21 bps	+/- ₱25,779,662

There is no impact on the Group's equity other than those already affecting income before income tax.

Equity price risk
Equity price risk is the risk that the fair values of investments in equity securities will decrease as a result of changes in the market values of individual shares of stock. The Group is exposed to equity price risk because of investments held by the Group classified as financial assets at FVOCI/available-for-sale financial assets included under "Other noncurrent asset account" in the consolidated statements of financial position. The Group employs the service of a third-party stockbroker to manage its investments in shares of stock.

The following table demonstrates the sensitivity analysis of the Group's equity to a reasonably possible change in equity price based on forecasted and average movements of equity prices (with all other variables held constant):

	Change in equity price	Effect on equity
March 31, 2020	**+/- ₱0.03**	**+/- ₱25,038**
December 31, 2019	+/- ₱0.20	+/- ₱140,984

<u>Credit risk</u>
Credit risk arises when the Group will incur a loss because its buyers, clients or counterparties fail to discharge their obligations. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all buyers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the objective that the Group's exposure to bad debts is not significant. The risk is further mitigated because the Group holds the title to the real estate properties with outstanding installment contracts receivable balance and the Group can repossess such real estate properties upon default of the buyer in paying the outstanding balance. The Group's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. There are no significant concentrations of credit risk within the Group.

The tables below show the Group's exposure to credit risk for the components of the consolidated statements of financial position. The exposure as of March 31, 2020 is shown at gross, before taking the effect of mitigation through the use of collateral agreements and other credit enhancements, and at net, after taking the effect of mitigation through the use of collateral agreements and other credit enhancements.

March 31, 2020:

	Gross maximum exposure	Fair value of collaterals	Net exposure	Financial effect of collateral/credit enhancements
Financial assets				
Investments in trust funds	₱35,504,186	₱–	₱35,504,186	₱ –
Cash and cash equivalents, excluding cash on hand	1,868,933,921	–	1,868,933,921	–
Short-term investments	483,699,067	–	483,699,067	–
Long-term investments	395,000,000	–	395,000,000	–
Installment contracts receivable	55,892,433	912,131,836	–	55,892,433
Notes receivable	200,000,000	–	200,000,000	–
Guaranty deposit	257,150,000	–	257,150,000	–
Refundable deposits	13,340,052	–	13,340,052	–
Other receivables:				
Rent receivable	15,558,406	–	15,558,406	–
Accrued interest	10,630,067	–	10,630,067	–
Advances to customers	8,997,973	–	8,997,973	–
Retention	2,992,090	–	2,992,090	–
Advances to condominium corporations	909,980	–	909,980	–
Due from related parties	237,841	–	237,841	–
Others	2,069,551	–	2,069,551	–
Contract assets	2,071,260,609	4,330,750,539	–	2,071,260,609
Total credit risk exposure	₱5,422,176,176	₱5,242,882,375	₱3,295,023,134	₱2,127,153,042

The Group has performed an expected credit loss (ECL) calculation for its financial assets at amortized cost. The expected credit loss is a product of the probability of default, loss given default and exposure at default.

In determining the probability of default, the Group used historical default rates for the last five years for the installment sales from its buyers and last two years for other receivables. The Group applied the possible effects of macroeconomic factors to the historical loss rate. For loss given default, the Group determined that the fair value less cost of repossession of collaterals upon default is higher than the exposure at default. Thus, no expected credit loss was recognized for the Group's installment contract receivables, contract assets and other receivables from its buyer.

The Group considers its cash and cash equivalent and short-term and long-term investments as high grade since these are placed in financial institution of high credit standing. Accordingly, ECL relating to cash and cash equivalents and short-term and long-term investment rounds to nil.

The Group considers other receivables from third parties and related parties as medium grade. Third parties are primarily managed through screening based on credit history and financial information submitted. Whereas, related parties have low risk of default and have a strong capacity to meet their contractual cash flows in the near term.

As of March 31, 2020, the following tables summarize the aging analysis of receivables and contract assets on which expected credit loss rate was applied:

			Days past due				
	Contract assets	Current	< 30 days	30-60 days	61-90 days	Over 90 days	Total
Installment contracts receivable	₱–	₱33,214,285	₱21,300,327	₱555,791	₱822,030	₱–	₱55,892,433
Contract assets	2,071,260,609	–	–	–	–	–	2,071,260,609
Notes receivable	–	200,000,000	–	–	–	–	200,000,000
Guaranty deposit	–	257,150,000	–	–	–	–	257,150,000
Refundable deposits	–	13,340,052	–	–	–	–	13,340,052
Other receivables:							
Rent receivable	–	15,558,406	–	–	–	–	15,558,406
Accrued interest	–	10,630,067	–	–	–	–	10,630,067
Advances to customers	–	7,769,006	–	441,507	27,240	760,220	8,997,973
Retention	–	2,992,090	–	–	–	–	2,992,090
Advances to condominium corporations	–	909,980	–	–	–	–	909,980
Due from related parties	–	237,841	–	–	–	–	237,841
Others	–	2,069,551	–	–	–	–	2,069,551
	₱2,071,260,609	₱543,871,278	₱21,300,327	₱997,298	₱849,270	₱760,220	₱2,639,039,002

The tables below show the credit quality by class of asset for loan-related consolidated statement of financial position lines based on the Group's credit rating system:

March 31, 2020:

	High Grade*	Medium Grade**	Total
Financial assets			
Investments in trust funds	**₱35,504,186**	**₱–**	**₱35,504,186**
Cash and cash equivalents, excluding cash on hand	**1,868,933,921**	**–**	**1,868,933,921**
Short-term investments	**483,699,067**	**–**	**483,699,067**
Long-term investments	**395,000,000**	**–**	**395,000,000**
Installment contracts receivable	**–**	**55,892,433**	**55,892,433**
Notes receivable	**–**	**200,000,000**	**200,000,000**
Guaranty deposits	**–**	**257,150,000**	**257,150,000**
Refundable deposits	**–**	**13,340,052**	**13,340,052**
Other receivables:			
Rent receivable	**–**	**15,558,406**	**15,558,406**
Accrued interest	**–**	**10,630,067**	**10,630,067**
Advances to customers	**–**	**8,997,973**	**8,997,973**
Retention	**–**	**2,992,090**	**2,992,090**
Advances to condominium corporations	**–**	**909,980**	**909,980**
Due from related parties	**–**	**237,841**	**237,841**
Others	**–**	**2,069,551**	**2,069,551**
Contract assets	**–**	**2,071,260,609**	**2,071,260,609**
Total	**₱2,783,137,174**	**₱2,639,039,002**	**₱5,422,176,176**

**High Grade - financial assets with reputable counterparties and which management believes to be reasonably assured to be recoverable.*
*** Medium Grade - financial assets for which there is low risk of default of counterparties.*

Liquidity risk

Liquidity risk is defined as the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of commercial papers.

The tables below summarize the maturity analysis of the consolidated financial assets held for managing liquidity and financial liabilities based on contractual undiscounted payments:

March 31, 2020:

	Up to One Year	Above One Year	Total
Accounts payable and accrued expenses*	**₱256,566,010**	**₱167,147,376**	**₱423,713,386**
Lease liabilities	**3,842,101**	**7,513,012**	**11,355,113**
Notes payable**	**1,076,530,235**	**–**	**1,076,530,235**
	₱1,336,938,346	**₱174,660,388**	**₱1,511,598,734**

** Excludes statutory liabilities amounting to ₱7,912,726.*
*** Includes interest expense amounting to ₱23,630,235.*

Fair Values

The following tables provide fair value hierarchy of the Group's financial assets, financial liabilities and investment properties, other than those with carrying amounts which are reasonable approximations of fair values:

Date of valuation: March 31, 2020

	Fair value		
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value:			
Investment in trust fund			
Financial assets at FV through OCI			
Debt securities	**₱2,177,271**	₱ –	₱–
Equity securities - listed	**716,126**	–	–
Investment properties	–	–	**3,999,490**
Financial assets at FV through OCI	**781,406**	–	–
Assets for which fair values are disclosed:			
Investment properties*	–	–	**4,861,351,320**

**Last valuation date is December 31, 2019.*

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

Cash and cash equivalents, short-term and long-term investments, installment contracts receivable, notes receivable, other receivables, accounts payable and accrued expenses and notes and contracts payable

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

Financial assets at FVOCI

Financial assets at FVOCI are stated at fair value based on quoted market prices.

Investment properties

The fair value of certain investment properties is determined using sales comparison. Sales comparison approach considers the sales of similar or substitute properties and other related market data had the investment properties been transacted in the market. The significant unobservable inputs used in determining the fair value are the sales price per square meter of similar or substitute property, location, size, shape of lot and the highest and best use.

Another method used in determining the fair value of other properties is based on the market data approach. The value is based on sales and listings of comparable property registered within the vicinity. This requires adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator by adjusting the difference between the subject property and those actual sales and listings regarded as comparables. The comparison is premised on the factors of location; size and shape of the lot; time element and others.

The fair values of the investment properties as of December 31, 2019 approximate and represent the highest and best use of the said properties.

28. Basic/Diluted Earnings Per Share

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

	March 31, 2020	March 31, 2019
Net income attributable to equity holders of the Parent Company (a)	**₱130,596,550**	₱196,174,705
Weighted average number of outstanding shares (b)	**4,403,739,084**	4,403,739,084*
Basic/diluted earnings per share (a/b)	**₱0.03**	₱0.04

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

The Group has no potential dilutive common shares as of March 31, 2020 and 2019. Thus, the basic and diluted earnings per share are the same as of those dates.

29. Business Segments

The Group derives its revenues primarily from the sale and lease of real estate properties and pension plan operations. These are the operating segments classified as business groups which are consistent with the segments reported to the BOD, its Chief Operating Decision Maker (CODM).

The Group does not have any major customers and all sales and leases of real estate properties and sales of pension plans are made to external customers.

Segment Revenue and Expenses

	March 31, 2020		March 31, 2019	
Sales of real estate properties*	**₱360,888,488**	**75.54%**	₱527,134,247	81.53%
Rent income	**46,002,086**	**9.63%**	33,516,969	5.18%
Others	**70,876,272**	**14.83%**	85,934,432	13.29%
	₱477,766,846	**100.00%**	₱646,585,648	100.00%

**Includes interest income from installment contracts receivable and contract assets amounting to ₱85.15 million and ₱89.23 million as of March 31, 2020 and March 31, 2019, respectively.*

Except for expenses directly relating to the leasing and pension plan operations, operating expenses pertain primarily to the real estate sales.

30. Income Subject to Income Tax Holiday

Registration with the Board of Investments (BOI)

The Group is entitled to ITH for a period of three years from various dates indicated in the registration or actual start of commercial operations, whichever is earlier. The ITH is limited only to revenue generated from the registered project. Revenues from units with selling price exceeding ₱3.00 million shall not be covered by the ITH.

The Group has registered the Low-Cost Mass Housing Project with BOI under the Omnibus Investment Code of 1987 (Executive Order No. 226) with the following details:

Name	Registration No.	ITH Period
CDC		
Pines Peak Tower II	2016-108	June 1, 2016 – May 31, 2019

The Group was able to avail the benefits from ITH entitlement in the whole year of 2018 until May 31, 2019.

32. **Contingencies**

The Group is contingently liable for certain lawsuits or claims filed by third parties which are either pending decisions by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. Hence, no provision was recognized as of March 31, 2020 and December 31, 2019.

33. **Events after Reporting Period**

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

On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. After which, modified ECQ was implemented in Metro Manila until May 31, 2020.

On May 29, 2020, the President of the Philippines declared that Metro Manila will be under general community quarantine beginning June 1 until June 15, 2020 and further extended to June 30, 2020.

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

The COVID-19 pandemic has a material impact on the 2020 financial results and even periods thereafter. The impact includes lower revenue for the year 2020 as compared to the Group's result of operations in 2019. The Group will continue to monitor the situation. The Group has implemented measures to manage the potential risks on the business operations. Some of these measures include online selling of real estate properties and processing of transactions. Advertisements through the social media platforms and sales promos were activated to attract potential investors.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Financial Ratios

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)	March 31, 2019 (Unaudited)
Current	**3.43**	3.08	2.71
Asset-to-equity	**1.42**	1.45	1.43
Debt-to-equity	**0.14**	0.16	0.16
Asset-to-liability	**5.03**	4.73	4.97
Solvency*	**0.29**	0.34	0.43
Interest rate coverage	**152.44**	65.49	42.33
Acid-test	**1.81**	1. 62	1.62
Return on equity (%)*	**6.72%**	8.43%	10.62%
Basic/Diluted Earnings per Share*	**₱0.12**	₱0.15	₱0.18**

**Annualized for the period of March 31, 2020 and March 31, 2019*

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

Manner of Calculations:

Current ratio = Total Current Assets / Total Current Liabilities

Asset-to-equity ratio = Total Assets / Total equity (net of unrealized fair value changes on financial assets at fair value through FVOCI/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)

Debt-to-equity ratio = Notes and Contracts Payable / Total equity (net of unrealized fair value changes on financial assets at fair value through FVOCI/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)

Asset-to-liability ratio = Total Assets / Total Liabilities

Solvency ratio = Net Income after Tax + Depreciation Expense / Total Liabilities

Interest rate coverage ratio = Net Income Before Tax + Depreciation Expense + Interest Expense / Interest Expense

Acid-test ratio = Cash and Cash Equivalents + Short-term Investments + Installment Contracts Receivable, current + Contract Assets, Current Notes Receivable, current + Other Receivables, current / Total Current Liabilities

Return on equity ratio = Net Income after Tax / Stockholder's Equity

Basic/Diluted earnings per share = Net income after Tax / Outstanding number of shares

CITYLAND DEVELOPMENT CORPORATION

SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED
As of March 31, 2020

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

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

Gross Proceeds		**₱1,400,000,000**
Less: Expenses		
Documentary Stamps Tax	₱10,500,000	
Registration Fees	732,250	
Printing Costs	70,000	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	11,362,250
Net Proceeds		**₱1,388,637,750**
Use of Proceeds		
Project-related Costs		₱850,800,000
Payment of Maturing Notes		481,977,750
Interest Expense		55,860,000
Total		**₱1,388,637,750**

B. Use of Proceeds (October 23, 2019 to March 31, 2020)

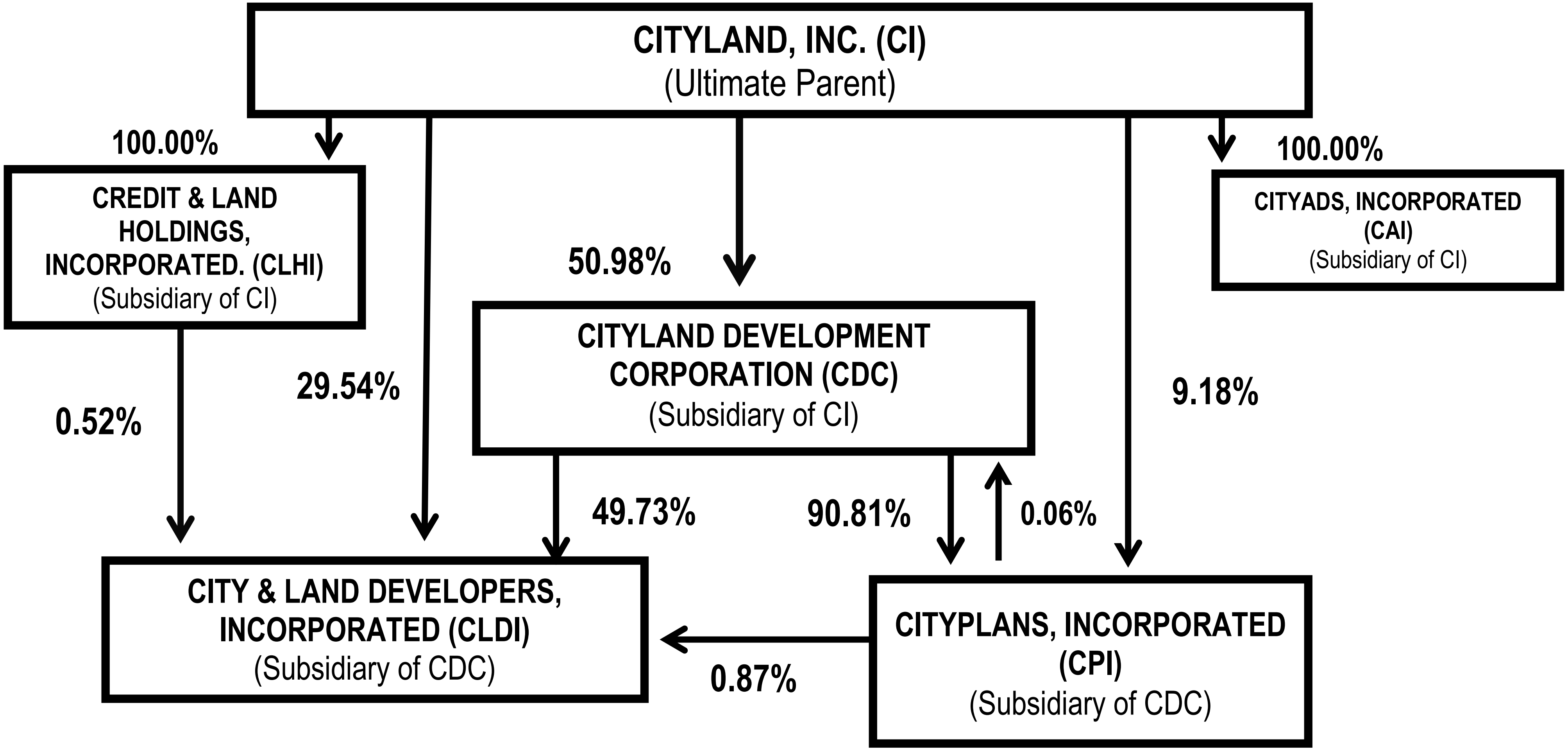
Gross Proceeds as of December 31, 2019	₱978,500,000	
Add: Issued Notes (January to March 31, 2020)	1,167,900,000	
Total Gross Proceeds as of March 31, 2020		₱2,146,400,000
Less: Expenses		
Documentary Stamps Tax	₱3,163,973	
Registration Fees	732,250	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	
Printing Costs	29,000	3,985,223
Total Net Proceeds		₱2,142,414,777
Less: Use of Proceeds		
Payment of Maturing Notes	₱1,652,112,319	
Project-related Costs	485,223,112	
Interest Expense	5,079,346	2,142,414,777
Balance of Proceeds as of March 31, 2020		-

C. Outstanding Commercial Papers as of March 31, 2020

SEC-MSRD Order No. 31, Series of 2018 dated November 6, 2018	₱2,300,000
SEC-MSRD Order No. 39, Series of 2019 dated October 23, 2019	1,050,600,000
TOTAL	**₱1,052,900,000**

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP



CITYLAND

CITYLAND DEVELOPMENT CORPORATION

CERTIFICATION

I, Rudy Go - Senior Vice President of Cityland Development Corporation with SEC Registration No. of 77823 with principal office address at 2/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City, on oath state:

1) That on behalf of Cityland Development Corporation, I have caused this SEC Form 17-Q, Quarterly Report as of and for the period ended March 31, 2020 to be prepared;
2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
3) That Cityland Development Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of June 2020.

RUDY GO
Affiant

SUBSCRIBED AND SWORN to before me this JUN 2 9 2020 at PASIG CITY affiant **exhibiting me his Social Security Number 03-4602228-9 and other ~~competitive~~ evidence of identification.**

ATTY. ANDRE ANTON S. SUAREZ
NOTARY PUBLIC FOR THE CITIES OF PASIG, SAN JUAN AND MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2020
APPOINTMENT NO.: 25
IBP ROLL NO.: 63345
IBP NO.: 012664/Lifetime/RSM
PTR No.: 6439657/01-03-2020/Pasig
Unit 105 Grand Emerald Tower, #6 F. Ortigas Jr. Ruby and Garnet Roads, Ortigas Center, Pasig City

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Series of 2020

CITYLAND

CITYLAND DEVELOPMENT CORPORATION

I hereby certify that the following Directors and Executive Officers of Cityland Development Corporation for the Year 2019 were not elected as public servants, nor appointees, nor employees of any government agency.

Directors:

1. Dr. Andrew I. Liuson
2. Stephen C. Roxas
3. Grace C. Liuson
4. Josef C. Gohoc
5. Atty. Sabino R. Padilla, Jr.
6. Peter S. Dee
7. George Edwin Y. SyCip
8. Helen C. Roxas
9. Benjamin I. Liuson

Executive Officers:

1. Emma A. Choa
2. Rudy Go
3. Melita M. Revuelta
4. Melita L. Tan
5. Romeo E. Ng
6. Rosario D. Perez
7. Winefreda R. Go
8. Atty. Emma G. Jularbal
9. Dorothy U. So
10. Catherine Grace T. Wong

Given this 13th day of July 2020.

Certified by:

ATTY. EMMA G. JULARBAL
Corporate Secretary

SUBSCRIBED AND SWORN TO before me, a Notary Public for and in MANILA this JUL 14 2020 affiant exhibiting to me her Social Security System with ID no. 03-9243383-5 and other competent evidence of identification.

Doc. No. 125;
Page No. 26;
Book No. IV;
Series of 2020.

ATTY. ALBERT ANTHONY H. OCAMPO
NOTARY PUBLIC FOR MANILA
UNTIL DECEMBER 31, 2020
APPOINTMENT NO. 2019-031
IBP ROLL NO 44239
IBP NO 07884/Lifetime/Laguna
PTR No 9065466 12.06.2019 Manila
581 Quintin Paredes St., Binondo, Manila

CITYLAND

CITYLAND
DEVELOPMENT
CORPORATION

CERTIFICATION

I, Josef C. Gohoc, of legal age, President of Cityland Development Corporation with SEC Registration No. of 77823 with principal office address at 2/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City, on oath state:

1. That on behalf of Cityland Development Corporation, I have caused this SEC Form 20-IS (Preliminary Information Statement);

2. That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3. That Cityland Development Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4. That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of July 2020.

Josef C. Gohoc
Affiant

SUBSCRIBE AND SWORN to before me this day JUL 1 4 2020 at MANILA, affiant personally appeared and exhibited his Social Security System No. 33-0942784-4 and other competent evidence of identification.

Doc. No. 123
Page No. 26
Book No. IV
Series of 2020.

ATTY. ALBERT ANTHONY H. OCAMPO
NOTARY PUBLIC FOR MANILA
UNTIL DECEMBER 31, 2020
APPOINTMENT NO. 2019-031
IBP ROLL NO. 44239
IBP NO. 07884/Lifetime/Laguna
PTR No. 9065466 12-06-2019/Manila
561 Quintin Paredes St. Binondo, Manila