SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL 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

   Dec 31, 2018

2. SEC Identification Number

   AS094-006430

3. BIR Tax Identification No.

   003-942-108

4. Exact name of issuer as specified in its charter

   EMPIRE EAST LAND HOLDINGS, INC.

5. Province, country or other jurisdiction of incorporation or organization

   Metro Manila

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   12th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue Uptown Bonifacio, Taguig City
   Postal Code
   1634

8. Issuer's telephone number, including area code

   (632) 5544800

9. Former name or 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 Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	14,676,199,167

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

   ☑ Yes ☐ No

   If yes, state the name of such stock exchange and the classes of securities listed therein:

   Philippine Stock Exhange

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 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 ☐ No

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

☑ Yes ☐ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

As of March 31, 2019, Php1,212,549,998.00 based on the closing price of Php0.50 per share.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

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

☐ Yes ☑ No

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

N/A

(b) Any information statement filed pursuant to SRC Rule 20

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

Empire East Land Holdings, Inc.
ELI

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2018
Currency	Pesos

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2018	Dec 31, 2017
Current Assets	37,127,677,727	31,807,388,160
Total Assets	42,600,191,736	39,232,075,646
Current Liabilities	11,110,560,288	9,675,244,178
Total Liabilities	14,905,101,929	13,395,482,369
Retained Earnings/(Deficit)	5,876,989,482	5,342,771,117
Stockholders' Equity	27,695,089,807	25,836,593,277
Stockholders' Equity - Parent	25,136,369,920	25,215,632,118
Book Value Per Share	1.71	1.66

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2018	Dec 31, 2017
Gross Revenue	4,152,887,405	4,623,435,597
Gross Expense	3,324,307,987	3,706,094,457
Non-Operating Income	290,181,706	241,171,258
Non-Operating Expense	349,305,681	305,446,405
Income/(Loss) Before Tax	769,455,443	853,065,993
Income Tax Expense	234,298,923	283,757,177
Net Income/(Loss) After Tax	535,156,520	569,308,816
Net Income/(Loss) Attributable to Parent Equity Holder	534,218,365	569,029,689

Earnings/(Loss) Per Share (Basic)	0.03	0.03
Earnings/(Loss) Per Share (Diluted)	0.03	0.03

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2018	Dec 31, 2017
Liquidity Analysis Ratios:			
; ; Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	3.34	3.29
; ; Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.66	0.61
; ; Solvency Ratio	Total Assets / Total Liabilities	2.86	2.93
Financial Leverage Ratios			
; ; Debt Ratio	Total Debt/Total Assets	0.35	0.34
; ; Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.54	0.52
; ; Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	2.78	3.7
; ; Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.54	1.52
Profitability Ratios			
; ; Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.41	0.42
; ; Net Profit Margin	Net Profit / Sales	0.15	0.14
; ; Return on Assets	Net Income / Total Assets	0.01	0.01
; ; Return on Equity	Net Income / Total Stockholders' Equity	0.02	0.02
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	13.61	16.67

Other Relevant Information
None

Filed on behalf by:

Name	Dominic Isberto
Designation	Corporate Counsel

SECURITIES AND EXCHANGE COMMISSION

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ANNUAL REPORT PURSUANT TO SECTION 17
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1. For the fiscal year ended **31 December 2018**

2. SEC Identification Number: **AS094-006430**

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4. **EMPIRE EAST LAND HOLDINGS, INC.**
   Exact name of issuer as specified in its charter

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   Industry Classification Code

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   36th Street cor. 11th Avenue
   Uptown Bonifacio, Taguig City 1634
   Address of principal office

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   Issuer's telephone number, including area code

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Title of Each Class	Number of Shares of Common Stock Outstanding
Common	**14,676,199,167**

10. Are any or all of these securities listed on a Stock Exchange?

    Yes [x] No [ ]

    Philippine Stock Exchange **Common Shares**

11. 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.

    Yes [x] No [ ]

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

    Yes [x] No [ ]

12. Aggregate Market Value of Voting Stock held by Non-Affiliates as of **March 31, 2019** is **Php1,212,549,998.00** based on the closing price of **Php0.50** per share.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Development

Empire East Land Holdings, Inc. (the "Company") was incorporated under Philippine law on 15 July 1994. Prior to its incorporation, the Company was a division of Megaworld Corporation (formerly, Megaworld Properties & Holdings, Inc.) and was then known as its Community Housing Division. In 1994, Megaworld Corporation decided to spin off its Community Housing Division into what is now the Company for the purpose of separating its high-end residential and office business from its lower and middle-income housing business. As of December 2018, Megaworld holds 81.72% of the Company.

As of December 31, 2018, the Company holds 100% equity interest in Eastwood Property Holdings, Inc. (EPHI); Valle Verde Properties, Inc. ("VVPI"); Sherman Oak Holdings, Inc. ("SOHI") Empire East Communities, Inc. ("EECI") and 20th Century Nylon Shirt Co., Inc. (20th Century); 73% in Laguna BelAir Science School, Inc. (LBASSI); 60% in Sonoma Premier Land, Inc. ("SPLI") (formerly, "Galleria Corsini Holdings, Inc."); and 47% in Gilmore Property Marketing Associates, Inc. ("GPMAI") and 20% in Pacific Coast Megacity Inc. (PCMI).

EPHI, which was incorporated on September 5, 1996, serves as the marketing arm of the Company and markets the projects of the Company and those of other related parties.

VVPI was incorporated on October 13, 2006. In 2008, the Company acquired shares of VVPI from another stockholder increasing the Company's ownership in VVPI to 100%.

SPLI was incorporated on February 26, 2007 and started its commercial operations in 2008. In 2008, 200 million shares in SPLI were acquired by the Company, increasing its ownership to 60% from 20%.

EECI was incorporated on October 14, 2008 and is wholly owned by the Company. It acts as a marketing arm of the Company.

SOHI was incorporated on February 2, 2007. In January 2008, the Company acquired 100% ownership in SOHI.

GPMAI was incorporated on September 5, 1996 to acquire, lease and construct or dispose of properties. In 2010, the Company acquired 52% ownership in GPMAI by subscribing to 27M shares by way of conversion of advances into equity. In 2012, GPMAI issued 5M shares of stock to a third party which resulted to the decrease of Company's ownership to 47%.

LBASSI (formerly Laguna BelAir School Inc. or LBASI) is a company incorporated on February 13, 1996 and is presently operating a school for primary and secondary education. The change in name was approved in August 2013. The Company owns 73% of LBASSI.

20th Century was incorporated in 1952. In February 2015, the company acquired 100% ownership interest in 20th Century,

PCMI was incorporated in 2012. In 2015 the Company acquired 20% ownership interest. Subsequently in 2018, the Company obtained de facto control over PCMI.

Neither the Company nor its subsidiaries has been the subject of a bankruptcy, receivership or similar proceeding or has been involved in any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business except as otherwise stated herein.

Business of Issuer and Subsidiaries

Principal Products, Services and Markets

Empire East Land Holdings, Inc. is a real estate developer involved in building residential projects that include house-and-lot subdivisions as well as mid-rise and high-rise condominiums located in major cities in Metro Manila and nearby urban areas, catering to the ever-growing Filipino middle-income market.

The Company introduced numerous lifestyle concepts that became industry trends in the Philippine real estate. It spearheaded the “township” model of residential development through its flagship project, Laguna Bel Air, situated in Santa Rosa City, Laguna, letting homebuyers experience a complete community integrated with a science-oriented school, a parish church, retail establishments, world-class recreational amenities and facilities, and exclusive transportation services. Its condominium developments with more than 100 towers completed have undeniably reshaped the skyline of the metro. The Company’s breakthrough innovations that upgraded the city living standards of its residents, include: space-efficient loft-type units, fully-integrated cluster-type developments, and flexible living spaces through unit combination, and affordable “No DP and zero interest” payment schemes.

The Company presently offers highly marketable residential projects in prime locations that continuously satisfy the demand of the broad middle-income as well as the upscale and investor markets. Its current developments are primarily categorized into two kinds of lifestyles: the transit-oriented developments (TOD) which are condominiums directly connected or with close proximity to public transportation hubs; and the urban resort communities, which provide aspiring homeowners an everyday vacation experience through its resort-inspired amenities and features.

Contribution to Sales and Revenues

In 2018, the income from sales of various condominium units and house-and-lot packages accounted for 79% of total revenues. Finance income, the bulk of which came from in-house financing of units sold to buyers and advances from related parties, accounted for 7%. The commission income of a subsidiary of the Company realized from marketing of real properties of related parties, rentals and other business related sources accounted for the remaining 14% of total revenues. Foreign sales contributed minimally to the Group’s consolidated sales and revenues for the year 2018.

The percentage of contribution to revenues of the above products and services differs from their percentage of contribution to net income since certain revenues do not have corresponding expenses and some expenses are not identifiable with projects.

Distribution Methods

The marketing and selling of the Company’s residential projects, both ready-for-occupancy (RFO) and pre-development selling properties, are primarily handled by in-house sales teams. There are around 20 sales divisions headed by Managing Directors (MD) or Associate Managing Directors (AMD). Under each division, there are several Account Managers (ACM) who directly manage salespersons with different positions, such as: Senior Account Analyst (SAAN), Account Analyst (AAN), and Account Analyst Trainee (AAT). These independently contract sales agents are deployed in various locations including project sites, mall showrooms and exhibit booths, where they can conduct prospecting activities and project presentation. To source more clients, they also conduct outdoor saturation drives, telemarketing, online marketing, open house events, and other traditional and below-the-line selling strategies.

To capture its share in the residential sector beyond Metro Manila, and to test the markets for potential expansion in the future, the Company has formed Empire East Networks made of local-based sales teams in key provinces and regions such as Baguio in Northern Luzon, Pampanga in Central Luzon, Batangas in Southern Luzon, and Cebu in the Visayas. The Company also accredits external licensed real estate brokers and marketing partners to generate more sales from buyers in the Philippines and abroad.

The Company implements extensive advertising campaigns to complement the marketing strategies of its in-house sales force, ranging from outdoor billboards and signages, cable television airtime, event sponsorship, publication of ads in major broadsheets and magazines, as well as social media marketing.

Update on Projects

SAN LORENZO PLACE is a luxurious high-rise condominium development on a 1.33-hectare property along EDSA corner Chino Roces Avenue, Makati City. Its four towers stand on a podium that features a two-level lifestyle mall providing the basic daily conveniences of its homeowners. For residents who are always on-the-go, they can enjoy a transit-oriented lifestyle thru the project's direct link to the MRT-3 Magallanes station and a hub for the Citylink bus going to and from McKinley Hill in BGC. There are also nearby loading and unloading points for other public utility vehicles such as city buses, jeepneys and express vans. Despite the centrality of the project's location, residents get to enjoy privacy and exclusivity far from the city noise as residential units and recreational amenities begin at the sixth level. The four towers have all been completed and sold out.

PIONEER WOODLANDS is located along EDSA corner Pioneer Street in Mandaluyong City, envisioned to be a six-tower transit-oriented community. This prime 1.27-hectare development has close proximity to major CBDs such as Ortigas Center, Makati and Bonifacio Global City, making it a preferred address of end-users and investors. Residents can conveniently ride the MRT-3 through the project's direct access to Boni Avenue station, on top of the bus stops along EDSA. Recreational amenities will be situated at the 5th level of the podium while the first two floors of Towers 1 and 2 host a commercial arcade. Towers 1, 2, 3 and 4 have been completed and sold out, while Towers 5 and 6 are under pre-selling stage, slated for turnover by 2020 and 2022, respectively.

LITTLE BAGUIO TERRACES is composed of four mid-rise to high-rise towers on an 8,000-square meter property bounded by N. Domingo Street and Aurora Boulevard in San Juan City. Residents, especially students, can conveniently walk either to J. Ruiz station or to Gilmore station and ride the LRT-2 which leads to the university belts of Manila and Quezon City. Towers 1, 4, 3 and 2, in sequence of turnover, are now ready-for-occupancy with few units left. Homeowners can experience quality city living through recreational amenities at the podium level, featuring a swimming pool, kiddie pool, jacuzzi, jogging paths, playground, daycare center and pocket gardens.

KASARA URBAN RESORT RESIDENCES is located between Eagle Avenue and P.E. Antonio Street in Ugong, Pasig City, few steps away from the major thoroughfare of C5 Road. More than 60% of 1.8-hectare land area is allotted for open space and resort-type amenities such as a centerpiece lake-inspired pool, waterfalls, koi ponds, fountains and bubblers, multi-purpose courts, children's playground, jogging paths, pocket gardens, and a clubhouse with bar and function room, providing its residents a world-class vacation lifestyle. Tower 1 has been completed with few units left for sale, Tower 2 is expected to be finished in 2019, while Towers 3 and 5 are in full-swing construction. Towers 4 and 6, with brisk sales, shall commence construction soon .

THE ROCHESTER is a 3-hectare community at Elisco Road, San Joaquin, Pasig City, that will feature seven mid-rise towers with Asian Modern architectural design, imbued with earth tone hues, and incorporated with wide open space and glass windows so that natural sunlight and air can freely flow. It is highly accessible to the Bonifacio Global City because of its proximity to the C5 Road and Kalayaan Avenue intersection. Its community clubhouse hosts a function room, fitness gym, bar and lounge, and game area, with an adjacent multi-purpose court, playground and swimming pool. Garden Villas 1 and 2 as well as Breeze and Parklane Towers are now ready-for-occupancy and all units are sold out. Palmridge, Hillcrest and Bridgeview Towers are under pre-selling, in full-swing construction, and set for turnover from 2019 to 2021.

THE CAMBRIDGE VILLAGE is by far the Company's largest condominium development, with 37 mid-rise towers built on an 8-hectare land along East Bank Road at the boundary of Pasig City and Cainta, Rizal. This project, targeted to the broad mid-income sector, is nearing completion with few units left for sale. Residents can now enjoy amenities at the clubhouse such as swimming pools, open court, function area, karaoke bar, fitness gym, library and mini-theater. Selected towers have ground-level retail shops, providing basic needs of residents for consumer goods and wellness services. The construction of the last 3 towers is almost completed.

THE SONOMA in Santa Rosa City, Laguna, is a 50-hectare horizontal development that features single-detached Asian Modern homes, centered with an amenity zone where residents can enjoy amenities such as a clubhouse, function halls, swimming pools and basketball court. At the frontage of the subdivision is a commercial strip called 1433 West Row. The four phases, called Enclave, Country Club, Pavilion and Esplanade, have completed its land development. Buyers have started building their houses while few only few lots for sale remain.

COVENT GARDEN will feature two high-rise condominium towers on a 5,000-square meter property at Santol Street Extension, fronting Magsaysay Boulevard, in Sta. Mesa, Manila. The project is approximately 5-minute walk to V. Mapa station of LRT-2, giving advantage to students of the premier universities in Manila and Quezon City. The amenities at the 5th level will provide residents an urban sanctuary ambiance and experience in the middle of the busy and congested city. South Residences which is more than halfway completed and North Residences which is in the initial stage of construction are scheduled for turnover by 2020 and 2022, with few remaining units left for pre-selling.

MANGO TREE RESIDENCES is an elite development in San Juan City, with two towers set to rise on a 3,000-square meter property along M. Paterno corner J. Ledesma Streets. Through efficient road networks on both ends of M. Paterno Street, via N. Domingo Street and Santolan Road, residents can easily go to shopping malls, hospitals, offices and schools in Quezon City, Manila, Greenhills and Ortigas CBD. The perimeter of the property is naturally filled with decades-old mango trees, which will be retained alongside the new high-rise development. Both West Residences and East Residences which are in the initial stages of construction, will rise on stilts, providing a through-and-through view of the greenery and amenities at the ground level. Residential lobbies will have double-height ceiling, providing a five-star ambiance at the entrance. Swimming pool, fitness gym, function rooms, yoga stations, alfresco lounge and garden decks will be enjoyed by its future residents.

THE PADDINGTON PLACE is the Company’s latest offering in its portfolio of transit-oriented developments. The four high-rise towers on a 8,700-square meter property will be elevated on a podium, where the first two levels will become a lifestyle shopping mall and 7th level amenity zone will host swimming pools, fitness gym, game room, garden decks, function rooms and grand function halls. Future residents can easily walk towards the MRT-3 Shaw Boulevard station and the Ortigas CBD across EDSA. Aspiring homebuyers can choose from executive studio, 1-to-2-bedroom units, and penthouse suites.

SOUTHPOINT SCIENCE PARK is located at Gimalas, Balayan, Batangas. This 51-hectare property in southern Luzon is a mixed-use development.

Competition

In the condominium sector for the middle-income market, the Company remains to be one of the leading industry players. Its competitive advantages such as accessible location, development concepts, and flexible payment terms, remain to be the primary factors for the positive reception of the market to its products. On top of the broad middle-income market, the Company effectively captures its share of clients from the upper middle-income and the luxury markets, evident of the sales results in San Lorenzo Place, Covent Garden, Mango Tree Residences and The Paddington Place which are marketed under the luxury brand called “The Empire East Elite.”

Major players in the vicinity of San Lorenzo Place include Ayala Land Premier, Alveo, Avida, Geo Estate, Federal Land, Camella Prestige and Filinvest Premiere. They capitalize on Makati CBD as one of the top financial districts in the country, offering different brackets of luxury for homebuyers who aspire to have a Makati address. Other competitors such as SMDC and DMCI have also started their developments in this area. San Lorenzo Place’s sold out status only proves that it has an unbeatable location and ultimate accessibility being along EDSA and directly connected to transport hubs. Same strong competition happens in Mandaluyong City, especially within the vicinity of Pioneer Woodlands, where high-rise condominiums of SMDC, Robinsons Land, DMCI, City Land, Greenfield, Ortigas & Co., Alveo and Avida, continue to sprout. Other small-scale developers like Sunshine 100 and Urban Deca have tapped this location because it is sandwiched by major CBDs such as Ortigas, Makati and BGC.

The LRT-2 corridor, encompassing Aurora Boulevard and Magsaysay Boulevard, have also proven to be an emerging hotspot of high-rise residential developments. Along this stretch are RFO and pre-selling developments of SMDC, Filinvest, Robinsons Land, Amaia and Data Land, directly competing with Little Baguio Terraces and Covent Garden, as well as Mango Tree Residences. Though majority of buyers in this area are end-users, developers cannot deny the fact that there is also a significant number of investors who are buying properties here because of strong leasing or rental potential, meeting the demand of comfortable and safe living spaces for students in the university belts of Manila and Quezon City, even other schools in San Juan and Sta. Mesa area.

Among aspiring homebuyers in Pasig City and its suburban fringes such as Cainta, Rizal, urban resort communities have always been the preferred type of condominium developments. The RFO units of The Rochester and The Cambridge Village are more highly marketable in comparison to inventories of Phinma Properties, Suntrust, Camella, due to its easy move-in RFO payment terms. The world-class resort-type amenities of Kasara, and its current price point, are major factors for buyers to consider buying here over competing developments of Filinvest, Rockwell Land and DMCI within the area.

Although the end-user's market remains to be the bulk of buyers in almost all projects of the Company, the number of investors buying from its properties has remarkably increased, particularly in those projects in prime locations that command strong leasing potential, both from local and foreign clientele.

Sources and Availability of Raw Materials/Suppliers

The Company has a broad base of suppliers of materials and services and is not dependent on any one supplier.

Dependence on Certain Customers

The Company has a broad customer base and is not dependent on a single customer or few customers.

Transactions with and/or Dependence on Related Parties

In 2018, total commissions earned by a subsidiary from the sale of its parent company's real estate properties amounted to P112.5 million.

The Company, in the normal course of business, enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes. Rental for leased properties and interest on interest-bearing advances are within market rates. The related parties that have entered into transactions with the Company are identified in Schedules C & F of the SEC Supplementary Schedules as of December 31, 2018. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions. Additional information on related party transactions is provided in Item 24 of the Notes to the Audited Consolidated Financial Statements of the Company and its Subsidiaries attached as Exhibit 1 hereof and incorporated herein by reference.

Other than those disclosed in the Company's Financial Statements, the Company has not entered into other related party transactions

Patents, Trademarks and Copyrights

The operations of the Company and its subsidiaries (the "Group") are not dependent on any copyright, patent, trademark, license, franchise, concession or royalty agreement.

Need for Government Approval of Principal Products and Services//Effect of Existing or Probable Government Regulations

Philippine land use laws regarding subdivisions and condominiums include zoning laws, which regulate land use, laws which specify standards and technical requirements for the development of subdivisions, and laws requiring licenses to be obtained before the sale of real estate property.

The municipal or city authority determines whether the plans of a proposed development comply with the applicable standards and conducts a preliminary inspection of the site. Local authorities are required to monitor the progress of subdivision projects and to inspect projects following their completion to determine whether or not they comply with the approved plans.

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at low-cost housing, must comply with Batas Pambansa Blg. 220, which allows for a higher density of building and relaxes some of the construction standards. Other subdivisions must comply with Presidential Decree No. 957, which sets out standards for lower density developments. Both types of subdivision must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electricity supply, lot sizes, the length of the housing blocks and house construction.

Under Presidential Decree No. 957, which covers subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes, the HLURB, together with local government units, has jurisdiction to regulate the real estate trade and business. All subdivision plans are required to be filed with and approved by the local government unit concerned, while condominium project plans are required to be filed with and approved by HLURB. Approval of such plans is conditioned on, among other things, completion of the acquisition of the project site and the developer’s financial, technical and administrative capabilities. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government unit. Development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electricity supply, lot sizes and house construction.

Owners or dealers of real estate projects are required to obtain licenses to sell before making sales or other disposition of lots or real estate projects.

In general, developers of residential subdivisions are required to submit project descriptions to regional offices of the Department of Environment and Natural Resources (“DENR”). This description sets out the background of the proposed project and identifies any significant environment risks and possible alternative sites. In environmentally critical projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment may be required and the developer will be required to obtain an Environmental Compliance Certificate to certify that the project will not cause an unacceptable environmental impact.

The Company routinely applies for the required governmental approvals for its projects as provided above and some HLURB approvals such as but not limited to development permits and license to sell are pending for certain projects or project phases.

The Company is not aware of any pending legislation or governmental regulation that is expected to materially affect its business.

Research and Development Costs

Expenses incurred for research are minimal and do not amount to a significant percentage of revenues.

On the other hand, construction and development costs incurred and their percentage to revenues are as follows:

Year	Amount Spent	% to Revenue (As restated)
2018	P3.62 billion	82%
2017	P2.99 billion	61%
2016	P3.38 billion	69%

Costs and Effects of Compliance with Environmental Laws

Expenses incurred by the Group for purposes of complying with environmental laws consist primarily of payments for government regulatory fees that are standard in the industry and are minimal.

Manpower

As of December 31, 2018, the Group employed a total of 654 employees. The Group will hire additional employees if and when the present workforce becomes inadequate to handle the growing operations of the Group. The Group has no collective bargaining agreements with its employees due to the absence of organized labor organizations in the Group. Aside from complying with the minimum compensation standards mandated by law, the Group makes available to qualified personnel supplemental benefits such as health insurance, retirement, housing plans and car plans.

The table below shows the breakdown of employees by rank:

Description	As of December 31, 2018	Projected Hiring for 2019
Executives	18	0
Managers	64	0
Supervisors	168	17
Rank & File	404	48
Total	654	65

Business Risks

The real estate industry is highly dependent on the performance of the national economy as the growth of the industry has a direct correlation with the state of the national income and effective disposal income of the people. As disposable income increases, expenditures on housing will increase proportionately. Furthermore, a stable economy brings about liquidity in the financial system, thus increasing the sources of funding for housing.

The growth and profitability of the Company are influenced by the general political and economic situation. Any political instability in the future may have a material effect on the financial results of the Company.

Increase in interest rates and unavailability of affordable financing options affect the demand for housing. The Company caters to the middle income market, a market which primarily considers the affordability of monthly amortizations through long term in-house or bank financing schemes.

The Company is engaged primarily in the development of land and construction of housing /condominium units. Its business is dependent on the availability of large tracts of land with potential for development.

As major players and new ones continue to take advantage of the bullish condition of the real estate industry, prime properties may become less available to the Company.

Other risks related to property development are fluctuation in prices and availability of construction materials, changes in government regulations, increase in taxes and fees and intense competition.

The Company remains vigilant to factors affecting its business, such as fluctuations in interest rates on borrowings and end-buyers' financing, increasing costs of construction materials, labor and administrative expenses which may affect overall demand for housing**.** Fluctuations in foreign exchange have no adverse effect since the Company has very minimal importations of construction-related materials and has no foreign currency denominated loans.

The Company continuously monitors trends in the industry and regularly checks economic indicators. It constantly explores ways and means on how to be more cost effective and implements reasonable price increases to maintain certain profit margins while keeping its products competitive. To maintain the marketability of its products, it provides quality projects in convenient locations, keeps the price affordable, offers a variety of flexible payment terms for in-house financing and continues to maintain strong tie-up arrangements with various banks for the financing requirements of its buyers.

The Company remains prudent in managing its financial resources and has taken measures in controlling its available funds. Generally, the Company utilizes its internally generated funds for its operations and partly uses bank financing for purposes of acquiring properties with strong economic potential and meeting urgent development requirements. By identifying the risk areas and employing appropriate risk management tools, the Company believes that the related business risks could be managed properly.

Item 2. Properties

Description of Principal Properties

The principal properties of the Group are as follows:

Property	Location	Limitations on Ownership
Completed Projects:		
Little Baguio Gardens	San Juan, Metro Manila	Owned
Laguna BelAir 1 and 2	Don Jose, Sta. Rosa, Laguna	Joint Venture
Governors Place	Mandaluyong City	Joint Venture
Kingswood Tower	Makati City	Joint Venture
Gilmore Heights	Gilmore Ave. cor. N. Domingo Sts., Quezon City	Joint Venture
San Francisco Gardens	Mandaluyong City	Joint Venture
Greenhills Garden Square	Santolan Road, Quezon City	Owned
Central Business Park	Manggahan, Pasig City	Owned
Xavier Hills	Quezon City	Joint Venture
California Garden Square	Libertad St., Mandaluyong City	Owned
Laguna BelAir 3	Biñan, Laguna	Owned
Laguna BelAir 4	Sta. Rosa City	Owned
The Sonoma	Sta. Rosa City	Joint Venture
San Lorenzo Place	Makati City	Joint Venture
Little Baguio Terraces	San Juan, Metro Manila	Joint Venture
On-Going Projects:		
The Cambridge Village	Cainta, Rizal	Owned
Pioneer Woodlands	Mandaluyong City	Joint Venture
The Rochester	Pasig City	Owned

Kasara Urban Resort Residences	Eagle St., Pasig City	Owned
Mango Tree Residences	San Juan City	Owned
Covent Garden	Sta. Mesa Manila	Owned
Southpoint Science Park	Gimalas Balayan Batangas	Owned

Most projects are for sale with the exception of Central Business Park (CBP), an office-warehouse complex and San Lorenzo Place Mall (SLPM), which is composed of commercial units for lease. CBP has leasable area of 9,870 square meters with lease rate of P185 per square meter. SLPM has 6,588.25 square meters with lease rate ranging from P800 to P1,500 per square meter. Both have lease term of up to 5 years.

There is no mortgage, lien or encumbrance over the properties of the Company. The limitations on ownership and usage are disclosed in the table above and in the Notes of the Company's Audited Financial Statements.

Certain assets of the Company with a total carrying value of P59.3 million are used as collateral to secure the payment of loans obtained from creditors. These are various units of California Garden Square and The Cambridge Village and lots of Laguna Bel Air, which serve as a security for the CTS financing/Receivable Purchase Facility granted by creditor banks. This facility does not require annotation on individual titles.

The Company cannot identify the particular properties it intends to acquire in the next twelve (12) months as the opportunities, offers or prospects may come unexpectedly. It aims to continuously acquire properties in strategic/prime locations with good market potential. It may acquire interest on the land through either outright acquisition or joint venture arrangement with landowners. Depending on the value of the property, it may utilize its internal funds to finance the acquisition; it may partially borrow or raise funds through equity financing.

Item 3. Legal Proceedings

Description of Material Pending Legal Proceedings

There are no material pending legal proceedings to which the Company or any of its subsidiaries and affiliates is a party or of which any of their property is the subject.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted during the fourth quarter of 2018 to a vote of security holders.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

M**arket Information**

The Company's common shares are traded on the Philippine Stock Exchange ("PSE"). The following table sets out, for the periods indicated, the high and low sales price for the Company's common shares as reported on the PSE:

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2017	High	0.78	0.75	0.82	0.71
	Low	0.66	0.65	0.67	0.64
2018	High	0.75	0.73	0.63	0.58
	Low	0.62	0.61	0.55	0.47
2019	High	0.60			

Low	0.48			
3/31/19 Close	0.50			

Holders

As of 31 March 2019, there were 12,426 holders of the Company's common shares. The following table sets forth the twenty largest shareholders of the Company as of March 31, 2019.

Rank	Name of Holder	Number of Shares	Percentage of Ownership
1.	Megaworld Corporation	11,994,426,438	81.7202%
2.	PCD Nominee Corporation (Filipino)	1,712,511,933[1]	11.6686%
3.	PCD Nominee Corporation (Non-Filipino	496,616,397	3.3838%
4.	The Andresons Group, Inc.	149,692,820	1.0200%
5.	Andrew L. Tan	24,277,777	0.1654%
6.	Simon Lee Sui Hee	16,685,206	0.1137%
7.	Ramon Uy Ong	14,950,000	0.1019%
8.	Lucio W. Yan	10,350,000	0.0705%
9.	Alberto Mendoza and/or Jeanie C. Mendoza	4,444,106	0.0303%
10.	Evangeline R. Abdullah	4,324,000	0.0295%
11.	George T. Yang	3,675,400	0.0250%
12.	Zheng Chang Hua	3,220,000	0.0219%
13.	Tiong C. Rosario	3,138,791	0.0214%
14.	Maximino S. Uy &/or Lim Hue Hua	3,105,000	0.0212%
15.	Trans-Asia Securities, Inc.	3,000,000	0.0204%
16.	Luisa Co Li	2,902,908	0.0198%
17.	Edward N. Cheok	2,875,000	0.0196%
18.	Aboitiz Equity Ventures, Inc.	2,813,843	0.0192%
19.	Maximino S. Uy	2,357,500	0.0159%
20.	Aboitiz & Company	2,314,421	0.0158%

The information provided above is not being presented in connection with securities to be issued pursuant to an acquisition, business combination or other reorganization initiated by or involving the Company.

Dividends

The payment of dividends, either in the form of cash or stock, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company, with its capital unimpaired, that are not appropriated for any other purpose.

The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends paid in cash are subject to the approval by the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and at least two-thirds (2/3) of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose.

[1] This includes 1,000,000 shares beneficially owned by Megaworld Corporation.

No stock dividends were declared on the Company's common shares for 2007 to 2018. The Company declared a 15% stock dividend on March 15, 2006, which was paid on August 8, 2006 to all shares of common stock outstanding as of July 13, 2006.

The Corporation Code prohibits stock corporations from retaining surplus profits in excess of one hundred per cent (100%) of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, 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.

Recent Sales of Unregistered or Exempt Securities

On 26 June 2013, One Billion Two Hundred Million (1,200,000,000) common shares of the capital stock of the Company were issued to Megaworld Corporation, at the price of One Peso & 05/100 centavos per share for an aggregate subscription price of One Billion Two Hundred Sixty Million (Php1,260,000,000.00).

Relative to the subscription of Megaworld Corporation, the Company filed on 05 July 2013 with the Philippine Securities and Exchange Commission ("SEC") a Notice of Exempt Transaction under Section 10.1(e) of the Securities Regulation Code.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

For 2018, the following are top key performance indicators of the Group:

		2018	2017 (As restated)
Sales		P3.5 Billion	P3.9 Billion
Net Profit		P535.1Million	P569.3 Million
Current Ratio	*1	3.34:1	3.29:1
Quick Ratio	*2	0.66:1	0.61:1

**1- Current Assets/Current Liabilities*

**2- Cash and cash equivalents+Trade and other receivables/ Total Current Liabilities*

1) Real Estate Sales

The Group's marketing and development concepts, sales strategies, project location and flexible payment scheme remain to be its competitive advantages. Most projects of the Group are connected to mass transit system and are conveniently located in business districts of Metro Manila

2) Other Revenues

Other income derived from various sources contributed to the Group's revenue.

3) Ability to repay loan obligations

The loan obligations were promptly settled. The Group maintains a good credit standing with creditor banks and has considerable standby credit facilities, which can be utilized for urgent capital requirements.

4) Continuous development of projects

The Group aggressively undertakes construction and development activities and has been exerting efforts to deliver its projects within the commitment timetable.

RESULTS OF OPERATIONS

(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of December 31, 2018 versus December 31, 2017

During the twelve-month period, the consolidated net profit amounted to P535.1 million, with 6% decrease from previous year's net income of P569.3 million. Consolidated revenues, composed of real estate sales,, finance income, commissions and other revenues posted a decrease of 9% from P4.9 billion to P4.4 billion.

Real Estate Sales

The Group registered Real Estate Sales of P3.5 billion for twelve months ended December 31, 2018 compared with P3.9 billion in 2017. The sales generated were derived from various projects including Kasara Urban Resort Residences, San Lorenzo Place, Pioneer Woodlands, The Rochester, The Cambridge Village, Little Baguio Terraces, The Sonoma, California Garden Square and Laguna Bel Air projects.

The Cost of Real Estate Sales amounting to P2.0 billion in 2018 and P2.3 billion in 2017, as a percentage of Real Estate Sales was 59% and 58% in 2018 and 2017 respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P1.4 billion during the twelve months of 2018 and P1.7 billion in 2017, or 41% and 42% of Real Estate Sales in 2018 and 2017 respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product.

Other Revenues

The finance income amounting to P290.2 million and P241.2 million in 2018 and 2017 respectively, were derived mostly from in-house financing and various advances from related parties which accounts for 7% and 5% of total revenues. Additional sources of revenue were commissions of a subsidiary, rentals of investment properties and those obtained from other sources. Commission and other income totaling P640.3 million in 2018 and P690.0 million in 2017, represents 14% of total revenues in 2018 and 2017.

Operating Expenses

Operating Expenses for 2018 and 2017 amounted to P1.3 billion and P1.4 billion respectively. Other charges/expenses include Finance Cost of P343.0 million and P304.9 million in 2018 and 2017, respectively.

FINANCIAL CONDITION

Review of December 31, 2018 versus December 31, 2017

Total resources of the Group as of December 31, 2018 and December 31, 2017 amounted to P42.6 billion and P39.2 billion respectively. Cash and Cash Equivalents increased from P1.3 billion to P1.8 billion. The Group remained liquid with Total Current Assets of P37.1 billion in 2018 and P31.8 billion in 2017, which accounted for 87% and 81% of the Total Assets in 2018 and in 2016, while its Total Current Liabilities amounted to P11.1 billion in December 31, 2018 as compared with P9.7 billion in December 31, 2017.

The Equity increased from P25.8 billion in the previous year to P27.7 billion as of December 31, 2018 due to Group's Net Income for the 12-month period, revaluation of equity investments held by a subsidiary and consolidation of new subsidiary.

For the twelve months of 2018 and in the year 2017, the Group sourced its major cash requirements from internally generated funds and partly from borrowings.

The Group utilized its funds for construction and development of projects, loan repayments, settlement of various payables and other operating expenses.

Material Changes in the 2018 Financial Statements
(Increase or decrease of 5% or more versus December 31, 2017)

Statements of Financial Position

- 42% increase in Cash and cash equivalents
  Mainly due to increase in collections and receipt of proceeds from bank loan

- 10% increase in Trade and other receivables
  Mainly due to adoption of new financial reporting standards

- 9% increase in Contract Assets
  Mainly due to adoption of new financial reporting standards

- 17% increase in Advances to related parties
  Primarily due to interest on advances

- 10% increase in Real estate inventories
  Mainly due to adoption of new financial reporting standards

- 31% increase in Prepayments and other current assets
  Mainly due to adoption of new financial reporting standards

- 26% decrease in Available for sale financial assets
  Primarily due to decrease in fair market value of investment in securities held by a subsidiary

- 54% decrease in Advances landowners and joint venture
  Primarily due to collections from landowners and joint venture

- 75% decrease in Investment in associate
  Pertains to reclassification of an associate to a subsidiary

- 26% increase in Property and equipment
  Primarily due to increase in leasehold improvements

- 100% increase in Intangible assets
  Mainly due to purchase of system software

- 513% increase in Investment property
  Primarily due to increase in retail units for lease

- 34% decrease in Contract liabilities
  Mainly due to adoption of new financial reporting standards

- 22% increase in Customers' deposits
  Mainly due to increase in reservation sales and collection from various projects

- 24% increase in Advances from related parties
  Due to project related advances

- 46% decrease in Retirement benefit obligation
  Due to re-measurement of retirement obligation

- 99% decrease in Income tax payable
  Mainly due to increase in creditable withholding taxes applied versus income tax liability

- 10% increase in Other current liabilities
  Pertains to refund liability related to Maceda Law

- 13% increase in Deferred Tax Liabilities
  Mainly due to adoption of new financial reporting standards

Statements of Comprehensive Income
(Increase or decrease of 5% or more versus December 31, 2017)

- 11% decrease in Real estate sales
  Primarily due to implementation of new financial reporting standards which both collections and completion of projects are considered

- 20% increase in Finance income
  Mainly due to adoption of new financial reporting standards

- 7% decrease in Commission & other income
  Mainly due to decrease in other revenues of the group

- 9% decrease in Cost of real estate sales
  Pertaining to decrease in sales

- 13% increase in Finance costs
  Mainly due to interest on additional loans

- 12% decrease in Operating expenses
  Mainly due to decrease in marketing and administrative expenses

- 17% decrease in Tax expense
  Mainly due to decrease in taxable income

For the year 2019, the projected capital expenditures of roughly P5.0 billion is expected to be funded by collections, borrowings and other sources.

Fluctuations in foreign exchange rate had no adverse effect on the Group's financial conditions since the Group has very minimal importations of construction-related materials and have no foreign denominated loans.

There are no other material changes in the Group's financial position and condition (5% or more) that will warrant a more detailed discussion. Likewise, there are no material events and uncertainties known to the management that would have material impact on reported financial information and normal operations of the Group.

The nature of all revenues and expenses disclosed in the statements of comprehensive income are business related transactions and arose from the Group's continuing operations. Also, no prior period adjustment was made during any period covered by the statements of financial position.

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

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

The Group is aggressively marketing its products specially the new projects. It continuously offers competitive prices, more lenient payment schemes under in-house financing and has strong tie-ups with reputable banks for the financing requirements of its buyers.

For 2017, the following are top key performance indicators of the Group as restated:

		2017 (As restated)	**2016 (As restated)**
Sales		P3.93 Billion	P3.96 Billion
Net Profit		P569.3 Million	P521.5 Million
Current Ratio	*1	3.29:1	3.88:1
Quick Ratio	*2	0.61:1	0.63:1

**1- Current Assets/Current Liabilities*

**2- Cash and cash equivalents+Trade and other receivables/ Total Current Liabilities*

1. **Real Estate Sales**

   The Group's marketing and development concepts, sales strategies, project location and flexible payment scheme remain to be its competitive advantages. Most projects of the Group are connected to mass transit system and are conveniently located in business districts of Metro Manila

2. **Other Revenues**

   Other income derived from various sources contributed to the Group's revenue.

3. **Ability to repay loan obligations**

   The loan obligations were promptly settled. The Group maintains a good credit standing with creditor banks and has considerable standby credit facilities, which can be utilized for urgent capital requirements.

4. **Continuous development of projects**

   The Group aggressively undertakes construction and development activities and has been exerting efforts to deliver its projects within the commitment timetable.

RESULTS OF OPERATIONS

(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of December 31, 2017 versus December 31, 2016

During the twelve-month period, the consolidated net profit amounted to P569.3 million, 9% higher than the previous year's net income of P521.5 million. Consolidated revenues, composed of real estate sales, realized gross profit, finance income, commissions and other revenues posted a decrease of 1% from P4.92 billion to P4.86 billion.

Real Estate Sales

The Group registered Real Estate Sales of P3.93 billion for twelve months ended December 31, 2017 compared with P3.96 billion in 2016. The sales generated were derived from various projects including Kasara Urban Resort Residences, San Lorenzo Place, Pioneer Woodlands, The Rochester, The Cambridge Village, Little Baguio Terraces, The Sonoma, California Garden Square and Laguna Bel Air Projects .

The Cost of Real Estate Sales amounting to P2.3 billion in 2017 and P2.5 billion in 2016, as a percentage of Real Estate Sales was 58% and 63% in 2017 and 2016 respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P1.7 billion during the twelve months of 2017 and P1.5 billion in 2016, or 42% and 37% of Real Estate Sales in 2017 and 2016 respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product.

Other Revenues

The finance income amounting to P241.2 million and P276.9 million in 2017 and 2016 respectively, were derived mostly from in-house financing and various advances from related parties which accounts for 6% and 7% of total revenues. Additional sources of revenue were commissions of a subsidiary, rentals of investment properties and those obtained from other sources. Commission and other income totaling P690.0 million in 2017 and P678.4 million in 2016, represents 14% of total revenues in 2017 and 2016.

Operating Expenses

Operating Expenses for 2017 and 2016 amounted to P1.4 billion. Other charges/expenses include Finance Cost of P304.9 million and P258.7 million in 2017 and 2016, respectively.

FINANCIAL CONDITION

Review of December 31, 2017 versus December 31, 2016

Total resources of the Group as of December 31, 2017 and December 31, 2016 amounted to P39.2 billion and P36.7 billion respectively. Cash and Cash Equivalents increased from P1.0 billion to P1.3 billion. The Group remained liquid with Total Current Assets of P31.8 billion in 2017 and P30.6 billion in 2016, which accounted for 81% and 83% of the Total Assets in 2017 in 2016, while its Total Current Liabilities amounted to P9.7 billion in December 31, 2017 as compared with P7.9 billion in December 31, 2016.

The Equity increased from P24.9 billion in the previous year to P25.8 billion as of December 31, 2017 due to Group's Net Income for the 12-month period and revaluation of equity investments held by a subsidiary.

For the twelve months of 2017 and in the year 2016, the Group sourced its major cash requirements from internally generated funds, and partly from borrowings.

The Group utilized its funds for construction and development of projects, loan repayments, settlement of various payables and other operating expenses.

Material Changes in the 2017 Financial Statements
(Increase or decrease of 5% or more versus December 31, 2016)

Statements of Financial Position

- 27% increase in Cash and cash equivalents
  Mainly due to proceeds from loan availment

- 19% increase in Trade and other receivables
  Due to increase in real estate sales

- 25% increase in Contract assets
  Mainly due to adoption of new financial reporting standards

- 8% increase in Advances to related parties
  Primarily due to interest on advances

- 6% decrease in Prepayments and other current assets
  Pertains to input vat offset against vat payable

- 25% increase in Available for sale financial assets
  Primarily due to increase in fair market value of investment in securities held by a subsidiary

- 27% increase in Property and equipment
  Primarily due to increase in capital expenditures

- 12% decrease in Investment property
  Primarily due to depreciation charges

- 22% increase in Trade and other payables
  Various payables to contractors and suppliers due to increasing construction activities

- 47% increase in Contract liabilities
  Mainly due to adoption of new financial reporting standards

- 7% increase in Customers' deposits
  Mainly due to increase in reservation sales and collection from various projects

- 22% increase in Advances from related parties
  Due to project related advances

- 68% decrease in Income tax payable
  Mainly due to increase in quarterly tax payments

- 35% increase in Other current liabilities
  Due to increase in retention payables to suppliers and contractors and adoption of new financial reporting standards

- 8% increase in Retirement benefit obligation
  Due to re-measurement of retirement obligation

- 6% increase in Deferred Tax Liabilities
  Mainly due to increase in deferred income tax expense

Statements of Comprehensive Income
(Increase or decrease of 5% or more versus December 31, 2016)

- 13% decrease in Finance income
  Primarily due to varying payment terms of accounts under in-house financing

- 100% decrease in Equity in net earnings of associates
  Pertaining to net losses of associates

- 9% decrease in Cost of real estate sales
  Pertaining to decrease in cost of certain projects

- 18% increase in Finance costs
  Mainly due to interest on additional loans

- 16% increase in Tax expense
  Mainly due to increase in taxable income

For the year 2018, the projected capital expenditures of roughly P5.0 billion is expected to be funded by collections, borrowings and other sources.

Fluctuations in foreign exchange rate had no adverse effect on the Group's financial conditions since the Group has very minimal importations of construction-related materials and have no foreign denominated loans.

There are no other material changes in the Group's financial position and condition (5% or more) that will warrant a more detailed discussion. Likewise, there are no material events and uncertainties known to the management that would have material impact on reported financial information and normal operations of the Group.

The nature of all revenues and expenses disclosed in the statements of comprehensive income are business related transactions and arose from the Group's continuing operations. Also, no prior period adjustment was made during any period covered by the statements of financial position.

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

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

The Group is aggressively marketing its products specially the new projects. It continuously offers competitive prices, more lenient payment schemes under in-house financing and has strong tie-ups with reputable banks for the financing requirements of its buyers.

Item 7. Information on Independent Accountant and other Related Matters

External Audit Fees and Services

The Company's external auditor, Punongbayan & Araullo, billed the amounts of Php1,930,000 in 2018 and Php1,830,000 in 2017 exclusive of VAT respectively, in professional fees for services rendered by it for the audit of the Company's annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2018 and 2017.
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Apart from the foregoing, no other services were rendered or fees billed by the Company's external auditors for 2018 and 2017.

The engagement of Punongbayan & Araullo and the handling partner is approved by the Board of Directors in consultation with its Audit Committee and by the stockholders of the Company. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the Philippine Securities and Exchange Commission, and affiliation with a reputable foreign partner. The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

Item 8. Financial Statements

Financial Statements meeting the requirements of SRC Rule 68, as amended, are attached hereto as Exhibit 1 and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company complied with SRC Rule 68(3)(b)(iv) and the Company's Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the signing partner changed after five (5) years of engagement. A two-year cooling off period shall be observed in the re-engagement of the same signing partner. In this regard, starting the year ending 31 December 2016, Mr. Renan A. Piamonte, one of the Audit and Assurance Partners of Punongbayan and Araullo (P&A), was designated as the signing partner for the audit of the Company's financial statements. Mr. Nelson Dinio, also one of the Audit and Assurance Partners of P&A, handled the audit of the Company's financial statements for the past five years from 2011 to 2015.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

There are seven (7) members of the Company's Board of Directors, two of whom are independent directors. All directors were elected during the annual meeting of stockholders held on 13 June 2018 for a term of one year and until their successors are elected and qualified.

The table sets forth each member of the Company's Board and Officers as of 31 March 2019.

Name	Present Position
Andrew L. Tan……………………	Chairman of the Board
Anthony Charlemagne C. Yu…..	Director/President
Cresencio P. Aquino…………….	Independent Director
Alejo L. Villanueva, Jr.………….	Independent Director
Evelyn G. Cacho…………………	Director/Senior Vice President/ Corporate Information Officer/ Compliance Officer
Enrique Santos L. Sy……………	Director
Kevin Andrew L. Tan……………	Director
Ricky S. Libago………………….	Executive Vice President
Ricardo B. Gregorio……………	First Vice President for Human Resources and General and Administration Services
Jhoanna Lyndelou T. Llaga……	First Vice President for Marketing

Kim Camille B. Manansala…….	Assistant Vice President for Audit and Management Services
Giovanni C. Ng………………….	Treasurer
Dennis E. Edaño……………….	Corporate Secretary
Celeste Z. Sioson………………	Assistant Corporate Secretary

Following is a brief profile of the incumbent directors and executive officers of the Company, indicating their respective business or professional experience for the past five (5) years.

Andrew L. Tan
Chairman of the Board

Mr. Tan, Filipino, 69 years old, Filipino, has served as Chairman of the Company's Board of Directors since its incorporation in July 1994. He was also Treasurer of the Company from July 1994 to May 1998. He is the Chairman of the Board and President of Megaworld Corporation, a publicly listed corporation and the parent of the Company, and Chairman of other publicly listed companies Alliance Global Group, Inc., Emperador Inc. and Global-Estate Resorts, Inc. He pioneered the live-work-play-learn model in real estate development through Megaworld's integrated township communities, thus fueling the growth of the business process outsourcing (BPO) industry. He chairs publicly-listed Alliance Global Group, Inc. which holds interests in property development through Megaworld, integrated tourism estates development through Global-Estate Resorts, Inc. He is the director of Travellers International Hotel Group, Inc. which owns Resorts World Manila, and food and beverage manufacturing and distribution through Emperador Inc., which owns Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines, and Golden Arches Development Corporation, which operates and franchises quick service restaurants under the McDonald's brand. Mr. Tan also serves in the boards of various companies: Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties, Inc., Gilmore Property Marketing Associates, Inc., Sherman Oak Holdings, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc., Townsquare Development, Inc. and Richmonde Hotel Group International Limited. Mr. Tan is also the Chairman of Megaworld Foundation, Megaworld's corporate social responsibility arm, which primarily focuses on the promotion of education through scholarship programs for financially handicapped but deserving students, and supports causes that promote poverty alleviation, people empowerment, social justice, good governance and environmental conservation.

Anthony Charlemagne C. Yu
Director/President

Mr. Yu, 56 years old, Filipino, has been a member of the Company's Board of Directors since January 1998 and has served as President of the Company for the same period. He joined Megaworld Land, Inc. in September 1996 and served as its Vice President until December 1997. Mr. Yu obtained his Bachelor of Arts degree major in Political Science from the Ateneo de Manila University and his Bachelor of Laws degree from the University of the Philippines. He holds a Master's Degree from the University of London. Mr. Yu previously worked for Ten Knots Development Corporation where he served as Vice President for Corporate and Legal Affairs and was a member of both its Executive and Management Committees. He also worked as a legal associate at a big law firm and served as Special Legal Counsel to the Secretary of Health, Dr. Juan Flavier. He also served as a Consultant in the Senate of the Philippines. He was a member of the University Faculty of the Ateneo de Manila University for many years, and sat on the board of the Institute of the Philippine Culture of the Ateneo de Manila University. Mr. Yu has also served as a Law Professor in the College of Law of the University of the Philippines. He was Philippine Delegate to the Integrated Environmental Management Forum held in Israel in 1995. Mr. Yu was a member of the Regional Network of Legal Experts on Marine Pollution of a multilateral agency, and sits in the Board of Trustees of Management Advancement Systems, Association, Inc. He is currently the Chairman of the Board and President of the Philippine Science-assisted school, Laguna BelAir Science School, Inc. He is the President of the El Nido Foundation, an NGO that promotes sustainable development and environmental protection in northern Palawan. He is a Trustee of Culion Foundation, a social development organization that primarily supports undertakings on the prevention and control of selected communicable and infectious diseases, reproductive health, and micro-enterprise development. He is the Chairman of the ERDA Group of Foundations, which promotes educational assistance to the marginalized sectors of society, including street children. He is also a member of the Board of Trustees of a non-profit research and education development institution that provides socio-economic research and analysis on people's issues to various sectors. Mr. Yu is also President and/or Director of Empire East Communities, Inc., Megaworld Central Properties, Inc., Sherman Oak Holdings, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc. and Megaworld Newport Property Holdings, Inc.

Cresencio P. Aquino
Independent Director

Atty. Aquino, 65 years old, Filipino, is currently the Managing Partner of The Law Firm of CP Aquino & Partners. He is a graduate of the San Sebastian College Manila with degrees in Bachelor of Arts and Bachelor of Laws. Atty. Aquino has extensive experience in both the public and private sectors as Director of Clark Development Corporation from 2012 to 2016, Independent Director of Global-Estate Resorts, Inc. from 2010 to 2012, Independent Director of Suntrust Home Developers, Inc. from 2009 to 2012, Corporate Legal Counsel of MBF Card and One Card Corporation from June 1998 to May 2004, Special Assistant and Chief Legal Counsel of the Government Service Insurance System from September 1992 to June 1998, Director of the Meat Packaging Corporation of the Philippines from September 1992 to June 1998, Personnel and Administrative Manager, Corporate Secretary and Chief Legal Counsel of ComSavings Bank from September 1992 to June 1998, and Executive Director of the Department of Interior and Local Government ("**DILG**") from 1988 to 1992, and concurrently Ex-Officio Commissioner of the DILG with the Housing and Land Use Regulatory Board also for the same period. Atty. Aquino He was formerly an Associate Professor with the San Sebastian College. Atty. Aquino has been a member of the Integrated Bar of the Philippines since 1978 and is also a member of the Capitol Bar Association, Knights of Columbus, and the Lawyers League of the Philippines.

Enrique Santos L. Sy
Director

Mr. Sy, 69 years old, Filipino, was elected to the Board on 9 June 2009. Previously, he served as director of the Company from April 1996 to April 1998 and from June 1999 to December 23, 2008. Mr. Sy was Corporate Secretary of the Company from July 1994 until 31 March 2011. Mr. Sy concurrently serves in the boards of publicly-listed Megaworld Corporation. He is a Director of Eastin Holdings and First Oceanic Property Management, Inc. He is also a Director and the Corporate Secretary of Asia Finest Cuisine, Inc. and the Corporate Secretary of Empire East Communities, Inc. Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with the degree of Bachelor of Arts in Communication Arts.

Evelyn G. Cacho
Director/Senior Vice President

Ms. Cacho, 57 years old, Filipino, has served as director of the Company since February 20, 2009. Ms. Cacho joined the Company in February 1995. She currently serves as director of the Company's subsidiaries, Empire East Communities, Inc., Laguna BelAir School, Inc., Sonoma Premier Land, Inc., Valle Verde Properties, Inc. and Sherman Oak Holdings, Inc. She concurrently serves as Director in publicly-listed Suntrust Home Developers, Inc. She also holds the position of Treasurer of Megaworld Central Properties, Inc. and Megaworld Newport Property Holdings, Inc. She is the Assistant Corporate Secretary of Gilmore Property Marketing Associates, Inc. Prior to joining the Company, she had extensive experience in the fields of financial/operations audit, treasury and general accounting from banks, manufacturing and trading companies. Ms. Cacho has a bachelor's degree in Business Administration major in Accounting and is a certified public accountant by profession.

Alejo L. Villanueva, Jr.
Independent Director

Mr. Villanueva, 77 years old, Filipino, is an independent director of the Company since June 2007. He is concurrently an independent director of Alliance Global Group, Inc., Suntrust Home Developers, Inc., and Emperador Inc. and a Director of First Capital Condominium Corporation, a non-stock, non-profit corporation. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project of USAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

Kevin Andrew L. Tan
Director

Mr. Tan, 39 years old, Filipino, has served as Director last June 2015. He is the Senior Vice President for Commercial Division of Megaworld Corporation which markets and operates the Megaworld Lifestyle Malls including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Resorts World Manila in Pasay City, and Lucky Chinatown Mall in Binondo, Manila and Uptown Mall in Bonifacio Global City. He is the Chief Executive Officer and Vice Chairman of public-listed company, Alliance Global Group, Inc. He is also the concurrently a Director of publicly listed companies Emperador Inc. and Global-Estate Resorts, Inc. and of Eastwood Cyber One Corporation, Uptown Cinemas, Inc., Megaworld Central Properties, Inc., Twin Lakes Corporation, Megaworld Land, Inc., Townsquare Development, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He is also a trustee and a Treasurer of Megaworld Foundation, Inc. He has over 11 years of experience in retail leasing, marketing and operations. Mr. Tan obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific.

Ricky S. Libago
Executive Vice President

Mr. Libago, 54 years old, Filipino, has been with the Company since July 2008. He served as Senior Vice President for Project Development, the position he held prior to his appointment as Executive Vice President in July 2016. Prior to joining the Company, he worked with Citibank Japan for 3 years and Citibank Philippines/Citibank Asia Pacific for 5 years with the Corporate Realty Services Group. He also previously worked with Universal Rightfield Holdings, Inc. (a real estate joint venture company with DMCI), Megaworld Land, Inc. (a subsidiary of Megaworld), Ayala Property Management Corporation (a subsidiary of Ayala Land, Inc.) and Makati Development Corporation (the construction arm of Ayala Land, Inc.). Mr. Libago is a licensed Civil Engineer and a Sanitary Engineer. He obtained his Civil Engineering degree from Ateneo de Cagayan (Xavier University) and his Sanitary Engineering degree from the National University.

Ricardo B. Gregorio
First Vice President for Human Resources and General and Administration Services

Mr. Gregorio, 56 years old, Filipino, has been with the Company since August 1997. Prior to his appointment as First Vice President in Human Resources General Administration Services in July 2015, he occupied the position of Vice President for Human Resources General and Administration Services in June 2003 and as Assistant Vice President for HRAD, Purchasing and Warehouse Department in January 1999. He joined the Company as Purchasing Manager and served as such until October 1997. From November 1997 to December 1998, he served as HRAD and Purchasing Senior Manager of the Company. Mr. Gregorio is a certified public accountant by profession. He graduated cum laude from the Araullo University in 1988 with a bachelor's degree in Commerce major in accounting. In 2000, he obtained his Master's Degree in Business Administration from the University of the Philippines and in 2002, a diploma in Human Resource Management from the University of Santo Tomas.

Jhoanna Lyndelou T. Llaga
First Vice President for Marketing

Ms. Llaga, 48 years old, Filipino, currently serves as director of Empire East Communities, Inc, the Company's subsidiary and as an SVP of Megaworld Central Properties, Inc., an affiliate. She joined the company in April 1996 and held various marketing positions. She was appointed as Marketing Head in June 2003, Assistant Vice President in July 2009, Vice President in March 2011 and First Vice President in July 2015. Ms. Llaga graduated from the University of the Philippines in March 1994 with the degree of Bachelor of Arts in English Language Studies.

Kim Camille B. Manansala
Assistant Vice President for Audit and Management Services

Ms. Manansala, 28 years old, Filipino, currently serves as Assistant Vice President for Audit. She joined the company in May 2016 as Senior Audit Manager, appointed as Audit and Management Services (AMS) Head in July 2016 and AVP for AMS in January 2017. She is also the assigned Project Manager for the SAP implementation from January 2017 to present. Prior to joining the company, she worked with SyCip Gorres Velayo & Co. (SGV & Co.) as Senior Assurance Associate where she gained extensive exposure in financial/operations audit for insurance, service, finance and holding companies, advertising and non-profit institutions. She also worked with QBE Group Shared Services Centre as Quality Assurance Analyst Level 4 and AMA Group of Companies as Senior Audit Manager. Ms. Manansala graduated Magna Cum Laude from the Polytechnic University of the Philippines in 2011 with the degree of Bachelor of Science in Accountancy and is a certified public accountant by profession.

Giovanni C. Ng
Treasurer

Mr. Ng, 45 years old, Filipino, has served as Treasurer of the Company since January 6, 2002. He is also the Senior Vice President and Finance Director of Megaworld Corporation and Treasurer of Adams Properties, Inc. and Townsquare Development, Inc. He serves as director in Eastwood Property Holdings, Inc., Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc., Lucky Chinatown Cinemas, Inc. and New Town Land Partners, Inc. and Megaworld Land, Inc. Previously, he worked as Analyst Associate in Keppel IVI Investments. Mr. Ng obtained his bachelor's degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

Dennis E. Edaño
Corporate Secretary

Mr. Edaño, 42 years old, Filipino, is the Corporate Secretary of the Company. He has been with the Company since September 2003 and currently heads the Legal & Corporate Affairs Department. Prior to his appointment as Corporate Secretary, Mr. Edaño was Assistant Corporate Secretary of the Company. Mr. Edaño has extensive experience in civil, criminal, administrative, labor and local taxation litigation, labor relations and real estate law. Prior to joining the Company, he was an Associate at the Siguion

Reyna Montecillo Ongsiako Law Offices. Mr. Edaño obtained his bachelor's degree in Law in 1999 from the University of the Philippines and his bachelor's degree in Liberal Arts major in Philosophy from the same institution in 1995.

Celeste Z. Sioson
Assistant Corporate Secretary

Ms. Sioson, 42 years old, Filipino, is the Assistant Corporate Secretary of the Company. She joined the Company in October 2006 and is currently Vice President of the Legal and Corporate Affairs Department of the Company. Ms. Sioson obtained her bachelor's degree in Law from the University of the Philippines in 2002 and her bachelor's degree in Science major in Biology in 1998 from the same institution. She has extensive experience in civil, criminal, administrative, labor litigation, labor relations and real estate law. Prior to joining the Company, she was a Senior Associate at the Andres Marcelo Padernal Guerrero and Paras Law Offices and an Associate at the Ponce Enrile Reyes & Manalastas Law Offices.

Significant Employees

The business of the Company is not highly dependent on the services of personnel outside of Senior Management.

Family Relationships

Chairman Andrew L. Tan and Mr. Kevin Andrew L. Tan, both directors of the Company, are father and son.

Involvement in Certain Legal Proceedings

The Company is not aware of the occurrence, as of the date hereof and during the past five (5) years preceding this date, of any of the following events which it believes to be material to the evaluation of the ability or integrity of any of its directors, nominees for election as director, or executive officers:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject in his personal capacity to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Item 11. Executive Compensation

Compensation of Certain Executive Officers

The total annual compensation paid to the President/CEO and four most highly compensated executive officers of the Company amounted to Php28,734,188 in 2018 and Php22,532,104 in 2017. The projected total annual compensation of the named executive officers for the current year is Php31,032,923.

Compensation of Directors

The members of the Board of Directors of the Company receive a standard per diem for attendance in board meetings. In 2018, the Company paid a total of Php700,000 for directors' per diem and has allocated the same amount for 2019.

Apart from directors' per diem, there are no other arrangements, such as consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided as a director.

SUMMARY COMPENSATION TABLE

The following table identifies the President and the four most highly compensated officers of the Company and summarizes their aggregate compensation in 2017 and 2018 and estimated aggregate compensation for 2019:

Name and Principal Position	Year	Salary	Others Variable Pay	Total Annual Compensation
Anthony Charlemagne C. Yu, President & CEO				
Ricky S. Libago Executive Vice President				
Evelyn G. Cacho Senior Vice President				
Ricardo B. Gregorio FVP for HR, General and Administrative Services				
Jhoanna Lyndelou T. Llaga FVP for Marketing				
President and 4 Most Highly Compensated Officers	2017	19,649,700	2,882,404	22,532,104
	2018	22,908,027	5,826,161	28,734,188
	2019	24,740,669	6,292,254	31,032,923
All Other Officers and Directors as a Group	2017	35,026,364	4,027,468	39,053,832
	2018	38,359,203	6,443,599	44,802,802
	2019	41,427,939	6,959,087	48,387,026

Employment Contracts and Change-in-Control Arrangements

Executive officers are appointed by the Board of Directors to their respective offices. Certain executive officers are employees of the Company and are entitled to standard employee benefits extended by the Company to the employees.

Other than benefits available under the Company's retirement plan, there is no compensatory plan or arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

Outstanding Warrants and Options

There are no outstanding warrants and options in respect of the Company's shares that are held by the Company's CEO, or any director or executive officer of the Company.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares of Common Stock as of March 31, 2019

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	Megaworld Corporation 30th Floor, Alliance Global Tower, 11th Avenue cor. 36 Street, Uptown Bonifacio, Taguig City	Megaworld Corporation	Filipino	11,994,426,438	81.7271%
Common	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	The shares registered in the name of PCD Nominee Corporation (Filipino) are either beneficially owned by the participants of the PCD composed of custodian banks and brokers or held by them in trust for their clients.	Filipino	1,712,511,933[1]	11.6686%

Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's outstanding capital stock that are known to the Company.

[1] This includes 1,000,000 shares beneficially owned by Megaworld Corporation.

Security Ownership of Management as of March 31, 2019

Title of Class Name of Beneficial Owner		Amount/Nature of Beneficial Ownership	Citizenship	Percent of Class
Directors				
Common	Andrew L. Tan	24,277,777 (direct)	Filipino	0.165422%
		11,994,426,438[1] (indirect)	Filipino	81.727062%
		138,133,820[2] (indirect)	Filipino	0.941210%
Common	Cresencio P. Aquino	1 (direct)	Filipino	0.000000%
Common	Anthony Charlemagne C. Yu	1 (direct)	Filipino	0.000000%
Common	Kevin Andrew L. Tan	1 (direct)	Filipino	0.000000%
Common	Enrique Santos L. Sy	11,892 (direct)	Filipino	0.000081%
Common	Evelyn G. Cacho	35,240 (direct)	Filipino	0.000240%
Common	Alejo L. Villanueva, Jr.	1 (direct)	Filipino	0.000000%
President and Four Most Highly Compensated Officers				
Common	Anthony Charlemagne C. Yu	Same as above		
Common	Ricky S. Libago	0	Filipino	n/a
Common	Evelyn G. Cacho	Same as above		
Common	Ricardo B. Gregorio	0	Filipino	n/a
Common	Jhoanna Lyndelou T. Llaga	0	Filipino	n/a
Other Executive Officers				
Common	Giovanni C. Ng	0	Filipino	n/a
Common	Dennis E. Edaño	0	Filipino	n/a
Common	Celeste Z. Sioson-Bumatay	0	Filipino	n/a
Common	All directors and executive officers as a group	24,324,913 (direct)	Filipino	0.170079%

Voting Trust Holders of 5% or More

The Company has no knowledge of any person holding more than five percent (5%) of the Company's shares of common stock under a voting trust or similar agreement.

Changes in Control

No change in control of the Company has occurred since the beginning of its last fiscal year. The Company has no knowledge of any existing arrangements that may result in a change in control of the Company.

Item 13. Certain Relationships and Related Transactions

Please refer to the discussion under Transactions with and/or dependence on Related Parties on page 7.

The Group's policy on related party transactions is disclosed in Note 2.23 (page 34) of its Audited Financial Statements.

[1] The shares are held by Megaworld Corporation had authorized Andrew L. Tan, in his capacity as Chairman of the Board and President, or in his absence the Chairman of the Meeting, to vote Megaworld's common shares in the Company.
[2] The shares are held by The Andresons Group, Inc. of which Andrew L. Tan is a controlling shareholder.

Also, Note 24 (pages 69 to 73) of the Group's Audited Financial Statements cite the conditions, purpose, and types of transactions (i.e., advances given to and received from related parties for construction-related activities, recognition of rental income, recognition of commission income and the grant by a stockholder of security under the Group's commercial/term loan) which give rise to the due to/from related parties and advances to/from stockholders, associates and other related parties.

In accordance with PAS 24.18, the Group disclosed the amounts of the transactions with its related parties, including the amount of outstanding balances as of the reporting dates.

The Company has no transaction for the covered period with parties that fall outside the definition of "related parties" under SFAS/IAS No. 24 but with whom the Company or its related parties has a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

PART V – EXHIBITS AND SCHEDULES

Item 15. Exhibits and Reports on SEC Form 17-C

Exhibit No.	Description of Exhibit
1	Audited Consolidated Financial Statements as of December 31, 2018 and 2017.

The Company filed the following reports on SEC Form 17-C during the last six-month period covered by this report.

Date	Disclosures
13 June 2018	Results of Annual Stockholder's Meeting
13 June 2018	Results of Organizational Meeting of the Board of Directors
13 June 2018	Press Release: "Empire East set to launch about 1,900 residential units for 2018"

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati, Philippines on ____________.

EMPIRE EAST LAND HOLDINGS, INC.

By:

ANTHONY CHARLEMAGNE C. YU
President
(Principal Executive Officer
and Principal Operating Officer)

EVELYN G. CACHO
Senior Vice President
(Principal Financial Officer,
Comptroller and Principal
Accounting Officer)

DENNIS E. EDAÑO
Corporate Secretary

TAGUIG CITY

SUBSCRIBED AND SWORN to before me this APR 3 0 2019 day of ____________, affiants exhibiting to me their Tax Identification Numbers and Community Tax Certificates, as follows:

NAMES	TIN NOS.
Anthony Charlemagne C. Yu	132-173-451
Evelyn G. Cacho	127-326-686
Dennis E. Edaño	207-906-709

Doc. No. 366;
Page No. 75;
Book No. 66;
Series of 2019.

ATTY. LETICIA M. AMON
NOTARY PUBLIC FOR TAGUIG CITY
APPT. NO. 8 UNTIL DEC. 31, 2019
ROLL OF ATTY. NO. 22188
MCLE COMPLIANCE NO. VI-0004659/12-5-2017
IBP O.R. No. 574709-LIFETIME MEMBER/1-9-2003
PTR No. 4842975- JAN 03, 2019- PASIG CITY
14 PARAISO ST., UPPER BICUTAN, TAGUIG CITY

Empire East

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for EMPIRE EAST LAND HOLDINGS, INC. for the year ending December 31, 2018.

In discharging this responsibility, I hereby declare that:

__/__ I, am the Asst. Vice President – Controller for Finance of EMPIRE EAST LAND HOLDINGS.

__N/A__ I, am the (position) of (name of organization/person) and was contracted to perform this service.

Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of PUNONGBAYAN & ARAULLO (P&A) who/which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

SIGNATURE OVER PRINTED NAME	: JULIETA J. BARRERA
PROFESSIONAL IDENTIFICATION CARD NO.	: 63974
VALID UNTIL	: DECEMBER 11, 2020
ACCREDITATION NUMBER	: 278
VALID UNTIL	: JULY 4, 2019

SUBSCRIBED AND SWORN to me before this 29 APR 2019 of 2019 affiant exhibiting to me her Tax Identification Number (TIN) 127-352-295.

Doc. No. 269
Page No. 73
Book No. 121
Series of 2019.

ATTY. FLORIMOND C. ROUS
Notary Public for Quezon City
Until December 31, 2019
PTR No. 7323525 / 1-3-19 / Q.C.
IBP LIFETIME NO. 00315
ROLL NO. 25769 / TIN 142-154-935
MCLE 5 Comp. 00001549; 1-22-2014
Adm Matter No.156 / RTC-QC / 2018-2019

Empire East

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Empire East Land Holdings, Inc. and subsidiaries** (the Group), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 Company or to cease operations, or has no realistic alternative to do so.

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

ANDREW L. TAN
Chairman of the Board

ANTHONY CHARLEMAGNE C. YU
Chief Executive Officer

EVELYN G. CACHO
Chief Financial Officer

Empire East Land Holdings, Inc.
12/F Alliance Global Tower, 36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City 1634 Metro Manila, Philippines
Tel. 867-8351/554-4800

SUBSCRIBED AND SWORN to me before this APR 15 2019 of 2019 affiant exhibiting to me their Tax Identification Number (TIN) as follows:

Andrew L. Tan	125-960-003
Anthony Charlemagne C. Yu	132-173-451
Evelyn G. Cacho	127-326-686

Doc. No. 184
Page No. 38
Book No. 911
Series of 2019

RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2019
IBP NO. 058333/1-3-2019 CY 2019
ROLL NO. 28947/MCLE 4 / 6-19-12
PTR NO. MKT. 7333572/1-3-19 APPT. NO. M-127
MAKATI CENTRAL POST OFFICE

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
Empire East Land Holdings, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)
12th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

Opinion

We have audited the consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

(a) Adoption of PFRS 15, Revenue from Contracts with Customers, on Real Estate Sales

Description of the Matter

The Group adopted PFRS 15, *Revenue from Contracts with Customers,* using the full retrospective approach to all open contracts as of January 1, 2016. The adoption of PFRS 15 is significant to our audit as the new standard materially affects the Group's recognition of revenue from real estate sales which is one of the core sources of income of the Group.

In addition, the adoption requires application of significant judgments and estimates which affect the amounts of transactions and balances reported in the consolidated financial statements both in the current period and in the comparative prior periods presented. Areas affected by the adoption which require significant judgments and estimates include determining when a contract will qualify for revenue recognition and measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

The Group's policy for revenue recognition and the effect of the adoption of PFRS 15 to the comparative prior periods presented are more fully described in Note 2 to the consolidated financial statements while the details of the Group's revenue is disclosed in Note 19 to the consolidated financial statements. The significant judgments and estimates used in the preparation of the consolidated financial statements relative to the adoption of PFRS 15 are more fully described in Note 3 to the consolidated financial statements.

How the Matter was Addressed in the Audit

We obtained an understanding of the new revenue recognition policy of the Company and checked its compliance with the provisions of PFRS 15 and related issuances by the Philippine Interpretations Committee and the Securities and Exchange Commission (SEC). We have also tested the reasonableness of judgments and estimates made in relation to the application of the new standard.

Our procedures in testing the appropriateness of prior period adjustments include testing the mathematical accuracy and completeness of supporting contract summary and relevant data, review of reasonableness of prior period adjustments, and performing overall analytical review of actual results.

In relation to identification of contacts, we have tested sample agreements for compliance with a set of criteria for revenue recognition. Our procedures include testing of controls over contract approval and direct examination of agreements. We have also tested the reasonableness of management's judgment in determining the probability of collection of the consideration in a contraction which involves a historical analysis of customer payment pattern and behavior.

Relative to the measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. Our procedures include test of controls over recording of costs and direct examination of supporting documents. We have also performed physical inspection of selected projects under development to determine if the completion based on costs is not inconsistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualifications of project engineers who prepared the budgets and reviewed the actual performance of completed projects with reference of their budgeted costs.

(b) Net Realizable Values of Real Estate Inventories

Description of the Matter

Real estate inventories principally comprise of residential and condominium units for sale, raw land inventory and property development costs amounting to P17.8 billion, P5.1 billion and P1.9 billion, respectively as of December 31, 2018. Future realization of inventories is affected by price changes in the costs incurred necessary to complete and make a sale. Due to the significant carrying amount of inventories, and the high level of judgment in estimating its lower of cost or net realizable value (NRV), we considered the valuation of inventories as significant to our audit.

The Group's disclosures on accounting policy, estimation uncertainty and Real Estate Inventories account are presented in Notes 2, 3, and 7 to the consolidated financial statements.

How the Matter was Addressed in the Audit

We reviewed the design effectiveness of the Company's internal control regarding inventory costing measured at lower of cost or NRV. We also performed a price test, on a sample basis, of inventory items by examining supporting documents such as, but not limited to, construction contracts for real estate inventories, purchase contracts and invoices and we determined whether the application of the lower of cost or NRV is appropriate and consistent with prior periods.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' 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 PFRS, 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.

Auditors' 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 auditors' 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 PSA 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 PSA, 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 auditors' 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 auditors' 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 group 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 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 auditors' 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 auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 7333700, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1363-AR-1 (until Mar. 1, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-37-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2019

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017
(With Corresponding Figures as of January 1, 2017)
(Amounts in Philippine Pesos)

	Notes	**December 31, 2018**	December 31, 2017 (As Restated – see Note 2)	January 1, 2017 (As Restated – see Note 2)
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	5	**P 1,816,898,287**	P 1,280,896,149	P 1,008,997,919
Trade and other receivables - net	6	**5,543,031,769**	4,616,792,056	3,965,110,270
Contract assets	19	**1,437,840,430**	367,007,051	520,482,067
Advances to related parties	24	**2,927,206,315**	2,502,356,313	2,311,257,801
Real estate inventories	7	**24,821,241,317**	22,596,169,309	22,394,125,276
Prepayments and other current assets	19	**581,459,609**	444,167,282	471,908,178
Total Current Assets		**37,127,677,727**	31,807,388,160	30,671,881,511
NON-CURRENT ASSETS				
Trade and other receivables - net	6	**1,336,714,670**	1,647,803,696	1,321,311,306
Contract assets	19	**1,252,230,362**	2,104,877,255	1,461,838,875
Financial asset at FVOCI	8	**1,339,940,000**	-	-
Available-for-sale financial assets	8	**-**	1,801,600,000	1,439,028,000
Advances to landowners and joint ventures	9	**142,458,052**	306,887,895	306,871,395
Investments in associates	10	**285,905,713**	1,162,295,541	1,162,873,746
Property and equipment - net	11	**248,967,253**	198,143,172	155,444,595
Intangible asset - net	12	**54,717,213**	-	-
Investment property - net	13	**727,175,156**	118,555,626	135,249,248
Other non-current assets	1	**84,405,590**	84,524,301	84,702,690
Total Non-current Assets		**5,472,514,009**	7,424,687,486	6,067,319,855
TOTAL ASSETS		**P 42,600,191,736**	P 39,232,075,646	P 36,739,201,366

	Notes	December 31, 2018	December 31, 2017 (As Restated – see Note 2)	January 1, 2017 (As Restated – see Note 2)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	**P 637,985,837**	P 751,412,976	P 355,115,433
Trade and other payables	15	**1,786,066,286**	1,765,149,256	1,451,139,792
Customers' deposits	16	**3,271,411,135**	2,681,448,477	2,494,778,962
Advances from related parties	24	**4,578,102,879**	3,678,125,997	3,012,266,199
Income tax payable		**41,594**	6,495,737	20,510,077
Contract liabilities	19	**23,524,123**	51,610,315	9,080,146
Other current liabilities	17	**813,428,434**	741,001,420	622,261,528
Total Current Liabilities		**11,110,560,288**	9,675,244,178	7,965,152,137
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	14	**1,418,750,645**	1,250,000,000	1,603,434,043
Contract liabilities	19	**130,429,296**	181,897,108	150,265,301
Retirement benefit obligation	22	**305,283,627**	570,284,259	528,514,895
Deferred tax liabilities - net	23	**1,940,078,073**	1,718,056,824	1,620,369,530
Total Non-current Liabilities		**3,794,541,641**	3,720,238,191	3,902,583,769
Total Liabilities		**14,905,101,929**	13,395,482,369	11,867,735,906
EQUITY				
Attributable to the Parent Company's stockholders				
Capital stock	25	**14,803,455,238**	14,803,455,238	14,803,455,238
Additional paid-in capital		**4,307,887,996**	4,307,887,996	4,307,887,996
Treasury stock - at cost	25	**(102,106,658)**	(102,106,658)	(102,106,658)
Revaluation reserves	8, 22, 25	**636,105,205**	863,624,425	468,066,229
Other reserves	2	**(385,961,343)**	-	-
Retained earnings	25	**5,876,989,482**	5,342,771,117	4,773,741,428
Total equity attributable to the Parent Company's stockholders		**25,136,369,920**	25,215,632,118	24,251,044,233
Non-controlling interests		**2,558,719,887**	620,961,159	620,421,227
Total Equity		**27,695,089,807**	25,836,593,277	24,871,465,460
TOTAL LIABILITIES AND EQUITY		**P 42,600,191,736**	P 39,232,075,646	P 36,739,201,366

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated – see Note 2)	2016 (As Restated – see Note 2)
REVENUES AND INCOME				
Real estate sales	19	**P 3,512,542,938**	P 3,933,386,561	P 3,963,501,328
Finance income	21	**290,181,706**	241,171,258	276,871,653
Commission income	24	**112,516,507**	119,381,451	126,759,525
Rental income	13, 27	**111,120,492**	146,416,970	105,345,526
Equity share in net earnings of associates	10	**-**	-	813,301
Other income	20	**416,707,468**	424,250,615	446,300,476
		4,443,069,111	4,864,606,855	4,919,591,809
COSTS AND EXPENSES				
Cost of real estate inventories	18	**2,058,228,875**	2,270,903,485	2,490,888,402
Salaries and employee benefits	22	**456,828,204**	434,731,011	427,968,009
Finance costs	21	**342,994,963**	304,868,200	258,726,854
Commissions		**143,733,854**	159,054,596	157,957,320
Taxes and licenses	13	**103,202,274**	123,821,678	115,735,507
Advertising and promotion		**95,829,284**	144,995,896	100,375,950
Travel and transportation		**65,469,361**	109,148,913	109,370,580
Depreciation and amortization	11, 13	**56,184,685**	33,727,522	33,826,975
Equity share in net losses of associates		**6,310,718**	578,205	-
Income taxes	23	**234,298,923**	283,757,177	243,662,302
Other expenses	20	**344,831,450**	429,711,356	459,555,501
		3,907,912,591	4,295,298,039	4,398,067,400
NET PROFIT		**535,156,520**	569,308,816	521,524,409
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently through profit or loss:				
Fair value losses on financial assets at FVOCI	8	**(461,660,000)**	-	-
Remeasurements on retirement benefit obligation	22	**334,441,438**	47,089,266	3,396,922
Tax expense on remeasurement	23	**(99,951,148)**	(13,842,265)	(1,019,077)
		(227,169,710)	33,247,001	2,377,845
Item that will be reclassified subsequently through profit or loss –				
Fair value gains (losses) on AFS financial assets	8	**-**	362,572,000	(373,832,000)
Total Other Comprehensive Income (Loss) - net of tax		**(227,169,710)**	395,819,001	(371,454,155)
TOTAL COMPREHENSIVE INCOME		**P 307,986,810**	P 965,127,817	P 150,070,254
Net profit attributable to:				
Parent company's shareholders		**P 534,218,365**	P 569,029,689	P 520,418,181
Non-controlling interest		**938,155**	279,127	1,106,228
		P 535,156,520	P 569,308,816	P 521,524,409
Total comprehensive income attributable to:				
Parent company's shareholders		**P 306,699,145**	P 964,587,885	P 148,964,026
Non-controlling interest		**1,287,665**	539,932	1,106,228
		P 307,986,810	P 965,127,817	P 150,070,254
EARNINGS PER SHARE - Basic and Diluted	26	**P 0.036**	P 0.039	P 0.035

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017, AND 2016
(Amounts in Philippine Pesos)

	Attributable to Parent Company's Shareholders								
	Capital Stock (see Note 25)	**Additional Paid-in Capital**	**Treasury Stock** (see Note 25)	**Revaluation Reserves** (see Notes 8, 22)	**Retained Earnings** (see Note 25)	**Other Reserves** (see Note 2)	**Total**	**Non-controlling Interests**	**Total**
Balance at January 1, 2018									
As previously reported	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 863,624,425	P 5,447,545,430	P -	P 25,320,406,431	P 620,961,159	P 25,941,367,590
Effect of adoption of PFRS 15 (see Note 2)	-	-	-	-	(104,774,313)	-	(104,774,313)	-	(104,774,313)
As restated	14,803,455,238	4,307,887,996	(102,106,658)	863,624,425	5,342,771,117	-	25,215,632,118	620,961,159	25,836,593,277
Total comprehensive income for the year									
Net profit for the year	-	-	-	-	534,218,365	-	534,218,365	938,155	535,156,520
Fair value losses on financial assets at FVOCI	-	-	-	(461,660,000)	-	-	(461,660,000)	-	(461,660,000)
Remeasurements on retirement benefit obligation	-	-	-	334,091,928	-	-	334,091,928	349,510	334,441,438
Tax expense on remeasurement	-	-	-	(99,951,148)	-	-	(99,951,148)	-	(99,951,148)
Other reserves from consolidation of a new subsidiary						(385,961,343)	(385,961,343)	-	(385,961,343)
Acquisition of a new subsidiary with non-controlling interest	-	-	-	-	-	-	-	1,936,471,063	1,936,471,063
Balance at December 31, 2018	**P 14,803,455,238**	**P 4,307,887,996**	**(P 102,106,658)**	**P 636,105,205**	**P 5,876,989,482**	**(P 385,961,343)**	**P 25,136,369,920**	**P 2,558,719,887**	**P 27,695,089,807**
Balance at January 1, 2017									
As previously reported	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 468,066,229	P 4,815,887,029	P -	P 24,293,189,834	P 620,421,227	P 24,913,611,061
Effect of adoption of PFRS 15 (see Note 2)	-	-	-	-	(42,145,601)	-	(42,145,601)	-	(42,145,601)
As restated	14,803,455,238	4,307,887,996	(102,106,658)	468,066,229	4,773,741,428	-	24,251,044,233	620,421,227	24,871,465,460
Total comprehensive income for the year									
Net profit for the year	-	-	-	-	569,029,689	-	569,029,689	279,127	569,308,816
Fair value gains on available-for-sale financial assets	-	-	-	362,572,000	-		362,572,000	-	362,572,000
Remeasurements on retirement benefit obligation	-	-	-	46,828,461	-	-	46,828,461	260,805	47,089,266
Tax expense on remeasurement	-	-	-	(13,842,265)	-	-	(13,842,265)	-	(13,842,265)
						-			
						-			
Balance at December 31, 2017	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 863,624,425	P 5,342,771,117	P -	P 25,215,632,118	P 620,961,159	P 25,836,593,277
Balance at January 1, 2016									
As previously reported	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 839,520,384	P 4,215,917,504	P -	P 24,064,674,464	P 619,314,999	P 24,683,989,463
Effect of adoption of PFRS 15 (see Note 2)	-	-	-	-	37,405,743	-	37,405,743	-	37,405,743
As restated	14,803,455,238	4,307,887,996	(102,106,658)	839,520,384	4,253,323,247	-	24,102,080,207	619,314,999	24,721,395,206
Total comprehensive loss for the year									
Net profit for the year	-	-	-	-	520,418,181	-	520,418,181	1,106,228	521,524,409
Fair value losses on available-for-sale financial assets	-	-	-	(373,832,000)	-	-	(373,832,000)	-	(373,832,000)
Remeasurements on retirement benefit obligation	-	-	-	3,396,922	-	-	3,396,922	-	3,396,922
Tax expense on remeasurement	-	-	-	(1,019,077)	-	-	(1,019,077)	-	(1,019,077)
Balance at December 31, 2016	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 468,066,229	P 4,773,741,428	P -	P 24,251,044,233	P 620,421,227	P 24,871,465,461

See Notes to Consolidated Financial Statements

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated – see Note 2)	2016 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 769,455,443	P 853,065,992	P 765,186,711
Adjustments for:				
Finance costs	21	342,994,963	304,868,200	258,726,854
Finance income	21	(278,921,706)	(241,171,258)	(241,965,653)
Depreciation	11, 13	56,184,685	33,727,522	33,826,975
Dividend income	8	(11,260,000)	-	(34,906,000)
Equity share in net losses (earnings) of associates	10	6,310,718	578,205	(813,301)
Loss on retirement of property and equipment	11	230,875	-	-
Gain on sale of property and equipment	11	(25,088)	-	-
Impairment loss on receivables	6	-	19,837	233,152
Operating profit before working capital changes		884,969,890	951,088,498	780,288,738
Increase in trade and other receivables		(563,787,543)	(974,782,991)	(1,033,661,485)
Increase in contract assets		(218,186,486)	(489,563,364)	(1,982,320,942)
Increase in advances to related parties		(254,577,967)	(25,218,451)	(17,022,753)
Decrease (increase) in real estate inventories		(566,050,045)	(187,257,659)	858,744,783
Decrease (increase) in prepayments and other current assets		(127,576,887)	27,740,896	(10,543,738)
Decrease (increase) in advances to landowners and joint ventures		164,429,843	(16,500)	298,510,213
Decrease (increase) in other non-current assets		118,711	178,389	(90,357)
Increase in trade and other payables		(51,350,037)	228,013,950	319,448,760
Increase (decrease) in contract liabilities		(79,554,003)	74,161,976	159,345,447
Increase (decrease) in customers' deposits		589,962,658	186,669,515	(118,126,385)
Increase (decrease) in other current liabilities		72,427,013	193,831,974	(22,622,224)
Increase in retirement benefit obligation		37,789,605	62,768,335	28,972,341
Cash generated from (used in) operations		(111,385,248)	47,614,568	(739,077,602)
Interest received		47,110,288	68,904,138	79,545,277
Cash paid for income taxes		(118,682,965)	(213,926,487)	(112,603,233)
Net Cash Used in Operating Activities		(182,957,925)	(97,407,781)	(772,135,558)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	11	(79,495,071)	(59,732,477)	(21,981,614)
Acquisitions of intangible assets	12	(54,717,213)	-	-
Dividends received	8	11,260,000	-	34,906,000
Interest received		10,176,239	2,976,037	9,917,831
Proceeds from sale of property and equipment		299,066	-	181,205
Net Cash From (Used in) Investing Activities		(112,476,979)	(56,756,440)	23,023,422
Balance brought forward		(P 295,434,904)	(P 154,164,221)	(P 749,112,136)

	Notes	2018	2017 (As Restated – see Note 2)	2016 (As Restated – see Note 2)
Balance carried forward		**(P 295,434,904)**	(P 154,164,221)	(P 749,112,136)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from additional advances from related parties	32	**965,658,750**	505,494,378	5,566,893
Proceeds from interest-bearing loans and borrowings	32	**800,000,000**	400,000,000	560,000,000
Payments of interest-bearing loans and borrowings	32	**(744,676,494)**	(357,136,500)	(110,453,128)
Repayments of advances from related parties	32	**(82,991,682)**	(32,891,450)	(2,017,237)
Interest paid		**(108,738,077)**	(89,403,977)	(93,222,309)
Net Cash From Financing Activities		**829,252,497**	426,062,451	359,874,219
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**533,817,593**	271,898,230	(389,237,917)
NET INCREASE IN CASH DUE TO ACQUISITION OF A SUBSIDIARY		**2,184,545**	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,280,896,149**	1,008,997,919	1,398,235,836
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 1,816,898,287**	P 1,280,896,149	P 1,008,997,919

Supplemental Information on Non-cash Investing and Financing Activities–

In the normal course of business, the Company enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Moreover, reclassifications of investment property has been made (see Note 13). In addition, non-cash financing activities are more fully disclosed in Note 32.

See Notes to Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Empire East Land Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 15, 1994. The Company is presently engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. The Company also leases out commercial and industrial properties. As a stock corporation, the Company's corporate life is 50 years.

The shares of common stock of the Company are listed at the Philippine Stock Exchange (PSE).

1.1 Composition of the Group

As of December 31, the Company holds ownership interests in the following entities:

Subsidiaries/ Associates	Explanatory Notes	Percentage of Ownership 2018	2017	2016
Subsidiaries:				
Eastwood Property Holdings, Inc. (EPHI)	(a)	**100%**	100%	100%
Valle Verde Properties, Inc. (VVPI)	(b)	**100%**	100%	100%
Sherman Oak Holdings, Inc. (SOHI)	(b)	**100%**	100%	100%
Empire East Communities, Inc. (EECI)	(c)	**100%**	100%	100%
20th Century Nylon Shirt Co., Inc. (20th Century)	(e)	**100%**	100%	100%
Laguna BelAir Science School, Inc. (LBASSI)	(d)	**73%**	73%	73%
Sonoma Premier Land, Inc. (SPLI)	(b)	**60%**	60%	60%
Pacific Coast Megacity Inc. (PCMI)	(f)	**20%**	-	-
Associates:				
Gilmore Property Marketing Associate, Inc. (GPMAI)	(b)	**47%**	47%	47%
Pacific Coast Megacity Inc. (PCMI)	(f)	**-**	20%	20%

Explanatory Notes:

(a) Subsidiary incorporated to market real estate properties of the Group and other related parties.
(b) Subsidiaries/associate incorporated in prior years but have not yet started commercial operations as of December 31, 2018.
(c) Subsidiary incorporated in prior year but ceased its operations as a marketing arm of real estate properties in 2014.
(d) Subsidiary primarily engaged in operating a school for primary and secondary education.
(e) Subsidiary acquired in 2015 which is yet to resume its operations.
(f) PCMI is considered as an associate of the Company from 2015. The Company obtained de facto control over PCMI in 2018 when the former gained the power to govern over the financial and operating policies of the latter. The acquisition was accounted for as pooling-of-interest method of accounting; hence, neither goodwill nor gain on acquisition was recognized. Further, in January 2019, the Company acquired an additional shares of PCMI, increasing its ownership interest to 40%.

The registered office address, which is also the place of operations of the Company's subsidiaries and associates, is located at 12th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City, except for EPHI, LBASSI, 20th Century and PCMI. The registered office address, which is also the place of operations, of EPHI, LBASSI, 20th Century and PCMI are summarized below.

(a) EPHI – #188 EC Information Center, E. Rodriguez Jr. Ave., Eastwood CyberPark City, Bagumbayan, Quezon City
(b) LBASSI – Brgy. Don Jose, Sta. Rosa, Laguna
(c) 20th Century – 632 Shaw Blvd. Highway Hills, Mandaluyong City
(d) PCMI – 7th Floor 1880 Building Eastwood City E. Rodriguez Jr. Ave. Bagumbayan, Quezon City

In prior years, the Company increased its ownership interest in VVPI and LBASSI resulting in 100% and 73% ownership interest, respectively, over the respective subsidiaries. This resulted in the recognition of goodwill which amounted to P78.3 million as of December 31, 2018 and 2017, and shown as part of Other Non-current Assets account in the consolidated statements of financial position [see Note 3.2(h)].

In February 2015, the Company acquired 100% ownership interest in 20th Century.

Also, in 2015, the Company invested in PCMI amounting to P877.8 million in exchange for 750,000,000 shares, representing 20% ownership interest in the said company. Further, in 2018, the Company has obtained de facto control over PCMI; hence, the investment is accounted for as an investment in a subsidiary (see Note 1.2).

The Company is a subsidiary of Megaworld Corporation (Megaworld or parent company). Megaworld is engaged in the development of large scale mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The parent company is presently engaged in property-related activities, such as, project design, construction and property management. Megaworld is 67.25% owned by Alliance Global Group, Inc. (AGI), the Company's ultimate parent company. AGI is a holding company with diversified investments in food and beverage, real estate, tourism-entertainment and gaming and quick service restaurant businesses. The shares of common stock of both Megaworld and AGI are listed at the PSE.

On December 27, 2017, the SEC approved the change in the Company's registered office and principal place of business from 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City to 12th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. The related approval from the Bureau of Internal Revenue (BIR) was obtained on November 13, 2018.

Megaworld's registered office address, is located at the 30th Floor of the same building as that of the Company. AGI's registered office is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriquez Jr. Avenue, Bagumbayan, Quezon City. These entities' registered office addresses are also their respective principal places of business.

1.2 Acquisition of PCMI

PCMI became a subsidiary on December 31, 2018 when the Company obtained de facto control when the latter gained the power to govern over the financial and operating policies of the former. The acquisition was accounted for as pooling-of-interest method of accounting as PCMI was acquired from related parties under common control. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities reflected in the consolidated financial statements are at carrying values and no adjustments are made to reflect fair values or recognized any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under *Philippine Interpretations Committee* (PIC) Question & Answer (Q&A) No. 2012-01, PFRS 3.2 – *Application of Pooling-of-Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements*; hence, the profit and loss of PCMI is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Aggregate financial information, at historical cost, of PCMI as at acquisition date is presented below.

Total assets acquired	P 2,429,036,789
Total liabilities assumed	(8,447,960)
Net assets acquired	P 2,420,588,829

Significant assets acquired pertain to real estate inventories (land for future development) amounting to P1.4 billion. In addition, the consideration transferred in relation to the acquisition amounted to P870.1 million while non-controlling interest and other reserves amounting P1.9 billion and P0.4 billion, respectively, were also recognized in the 2018 consolidated statement of changes in equity.

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) as of and for the year ended December 31, 2018 (including the comparative consolidated financial statements as of December 31, 2017 and for the year ended December 31, 2016, and the corresponding figures as of January 1, 2017) were authorized for issue by the Company's BOD on April 8, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income, expenses and other comprehensive income in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

The Group presented a third consolidated statement of financial position representing the corresponding figures as of January 1, 2017 due to certain restatements and reclassifications made in the 2017 and 2016 consolidated financial statements as a result of the Group's adoption of the new standard and interpretations [see Note 2.1(c)].

(c) Prior Period Restatements and Reclassifications of Accounts

In 2018, the Group adopted PFRS 9, *Financial Instruments,* which was applied using the transitional relief allowed by the standard. This allowed the Group not to restate its prior periods' consolidated financial statements. The adoption of PFRS 9 (2014) has resulted in changes in the Group's accounting policies on impairment of financial assets particularly on the application of the expected credit loss (ECL) methodology for trade and other receivables [see Note 2.2(a)(ii)].

Further, the Group adopted in 2018 PFRS 15, *Revenue from Contracts with Customers*, and the related PIC Q&A 2016-04, *Adoption of PFRS 15, "Revenue from Contracts with Customers", on Sale of Residential Properties under Pre-completion Contracts*, and PIC Q&A 2018-12, PFRS 15, *Implementation Issues Affecting the Real Estate Industry*, which were applied retrospectively to each prior reporting period in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The details of the impact of the adoption of these new standard and interpretations are fully disclosed [(see Note 2.2(a)(iii)].

The Group also adopted the PIC Q&A No. 2018-11, *Classification of Land by Real Estate Developer*, which requires real estate developers to classify land based on management's intention and apply the appropriate accounting treatment as required by relevant standards.

The effects of the adoption of PFRS 15 and various PIC Q&A, on the assets, liabilities and equity accounts are shown in the succeeding pages.

	As of December 31, 2017			
		Effects of Adoption		
	As Previously Reported	PFRS 15 and PIC Q&A 2018-12	PIC Q&A 2018-11	As Restated
Changes in Current Assets				
Trade and other receivables – net	P 5,741,284,148	(P 1,124,492,092)	P -	P 4,616,792,056
Contract assets	-	367,007,051	-	367,007,051
Residential and condominium units for sale	19,220,960,848	(22,146,351,810)	2,925,390,962	-
Real estate inventories	-	22,596,169,309	-	22,596,169,309
Property development costs	1,908,888,955	(1,908,888,955)	-	-
Prepayments and other current assets – net	338,912,664	105,254,618	-	444,167,282
Changes in Non-current Assets				
Trade and other receivables – net	3,852,115,476	(2,204,311,780)	-	1,647,803,696
Contract assets	-	2,104,877,255	-	2,104,877,255
Land for future development	2,925,390,962	-	(2,925,390,962)	-
Changes in Current Liabilities				
Contract liabilities	-	(51,610,315)	-	(51,610,315)
Deferred gross profit on real estate sales	(95,770,220)	95,770,220	-	-
Reserve for property development	(509,788,697)	509,788,697	-	-
Other current liabilities	(678,774,641)	(62,226,779)	-	(741,001,420)
Changes in Non-current Liabilities				
Contract liabilities	-	(181,897,108)	-	(181,897,108)
Deferred gross profit on real estate sales	(225,437,267)	225,437,267	-	-
Reserve for property development	(1,583,608,462)	1,583,608,462	-	-
Deferred tax liabilities - net	(1,705,148,472)	(12,908,352)	-	(1,718,056,824)
Net decrease in equity		(P 104,774,313)	P -	
Changes in Equity				
Retained earnings	(P 5,447,545,430)	P 104,774,313	P -	(P 5,342,771,117)

	As of January 1, 2017			
		Effects of Adoption		
	As previously Reported	PFRS 15 and PIC Q&A 2018-12	PIC Q&A 2018-11	As Restated
Changes in Current Assets				
Trade and other receivables – net	P 5,021,310,911	(P 1,056,200,641)	P -	P 3,965,110,270
Contract assets	-	520,482,067	-	520,482,067
Residential and condominium units for sale	18,933,860,565	(21,859,251,527)	2,925,390,962	-
Real estate inventories	-	22,394,125,276	-	22,394,125,276
Property development costs	1,903,775,929	(1,903,775,929)	-	-
Prepayments and other current assets – net	381,730,305	90,177,873	-	471,908,178
Changes in Non-current Assets				
Trade and other receivables – net	2,782,264,393	(1,460,953,087)	-	1,321,311,306
Contract assets	-	1,461,838,875	-	1,461,838,875
Land for future development	2,925,390,962	-	(2,925,390,962)	-
Balance brought forward		(P 1,813,557,093)	P -	

	As of January 1, 2017			
		Effects of Adoption		
	As previously Reported	PFRS 15 and PIC Q&A 2018-12	PIC Q&A 2018-11	As Restated
Balance carried forward		(P 1,813,557,093)	P -	
Changes in Current Liabilities				
Contract liabilities	P -	(9,080,146)	-	(P 9,080,146)
Deferred gross profit on real estate sales	(53,574,516)	53,574,516	-	-
Reserve for property development	(387,962,962)	387,962,962	-	-
Other current liabilities	(584,715,486)	(37,546,042)	-	(622,261,528)
Changes in Non-current Liabilities				
Contract liabilities	-	(150,265,301)	-	(150,265,301)
Deferred gross profit on real estate sales	(116,609,460)	116,609,460	-	-
Reserve for property development	(1,425,945,593)	1,425,945,593	-	-
Deferred tax liabilities	(1,604,579,980)	(15,789,550)	-	(1,620,369,530)
Net decrease in equity		(P 42,145,601)	P -	
Changes in Equity				
Retained earnings	(P 4,815,887,029)	P 42,145,601	P -	(P 4,773,741,428)

The effects of prior period adjustments on certain line items in the consolidated statement of comprehensive income for the years ended December 31, 2017 and 2016 are summarized below and in the succeeding page.

	As Previously Reported	Effects of Adoption of PFRS 15 and PIC Q&A 2018-12	As Restated
2017:			
Real estate sales	P 4,250,213,492	(P 316,826,931)	P 3,933,386,561
Finance income	274,684,759	(33,513,501)	241,171,258
Realized gross profit on prior year's sales	63,883,544	(63,883,544)	-
Cost of real estate sales	(2,499,835,522)	228,932,037	(2,270,903,485)
Finance costs	(219,347,165)	(85,521,035)	(304,868,200)
Deferred gross profit on current year's sales	(214,907,055)	214,907,055	-
Commissions	(174,131,342)	15,076,746	(159,054,596)
Income tax expense	(286,638,375)	2,881,198	(283,757,177)
Other expenses	(405,030,619)	(24,680,737)	(429,711,356)
Net effect in profit attributable to: Company's shareholders		(P 62,628,713)	
Earnings per share – Basic	P 0.043	(P 0.004)	P 0.039

	As Previously Reported	Effects of Adoption of PFRS 15 and PIC Q&A 2018-12	As Restated
2016:			
Real estate sales	P 4,124,838,936	(P 161,337,608)	P 3,963,501,328
Finance income	323,606,513	(46,734,860)	276,871,653
Realized gross profit on prior year's sales	69,595,743	(69,595,743)	-
Cost of real estate sales	(2,652,093,167)	161,204,765	(2,490,888,402)
Finance costs	(199,569,995)	(59,156,859)	(258,726,854)
Deferred gross profit on current year's sales	(96,632,422)	96,632,422	-
Commissions	(182,654,092)	24,696,772	(157,957,320)
Income tax expense	(243,903,785)	241,483	(243,662,302)
Other expenses	(434,053,785)	(25,501,715)	(459,555,500)
Net effect in profit attributable to: Company's shareholders		(P 79,551,344)	
Earnings per share – Basic	P 0.041	(P 0.006)	P 0.035

The effects of prior period adjustments on certain line items under cash flows from operating and investing activities in the statement of cash flows for the years ended December 31, 2017 and 2016 presented below and in the succeeding page.

	As Previously Reported	Effects of Adoption of PFRS 15 and PIC Q&A 2018-12	As Restated
2017:			
Profit before tax	P 918,575,903	(P 65,509,910)	P 853,065,993
Adjustments for:			
Finance income	(274,684,759)	33,513,501	(241,171,258)
Finance costs	219,347,165	85,521,035	304,868,200
Decrease (increase) in:			
Trade and other receivables	(1,754,371,065)	779,588,074	(974,782,991)
Contract assets	-	(489,563,364)	(489,563,364)
Residential and condominium units for sale	(197,221,827)	9,964,168	(187,257,659)
Property development costs	(5,113,026)	5,113,026	-
Prepayments and other current assets	42,817,641	(15,076,745)	27,740,896
Increase (decrease) in:			
Trade and other payables	313,534,985	(85,521,035)	228,013,950
Contract liabilities	-	74,161,976	74,161,976
Other current liabilities	94,059,155	99,772,819	193,831,974
Deferred gross profit on real estate sales	151,023,511	(151,023,511)	-
Reserve for property development	279,488,604	(279,488,604)	-
Interest received	70,355,569	(1,451,431)	68,904,138
		P -	

	As Previously Reported	Effects of Adoption of PFRS 15 and PIC Q&A 2018-12	As Restated
2016:			
Profit before tax	P 844,979,538	(P 79,792,827)	P 765,186,711
Adjustments for:			
Finance income	(288,700,513)	46,734,860	(241,965,653)
Finance costs	199,569,995	59,156,859	258,726,854
Decrease (increase) in:			
Trade and other receivables	(1,540,416,065)	506,754,580	(1,033,661,485)
Contract assets	-	(1,982,320,942)	(1,982,320,942)
Residential and condominium units for sale	(570,936,279)	1,429,681,062	858,744,783
Property development costs	(14,313,200)	14,313,200	-
Prepayments and other current assets	79,634,135	(90,177,873)	(10,543,738)
Increase (decrease) in:			
Trade and other payables	378,605,619	(59,156,859)	319,448,760
Contract liabilities	-	159,345,447	159,345,447
Other current liabilities	14,953,816	(37,576,040)	(22,622,224)
Deferred gross profit on real estate sales	27,036,679	(27,036,679)	-
Reserve for property development	(60,075,212)	60,075,212	-
		P -	

(d) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the functional and presentation currency of the Group, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 *Adoption of New and Amended PFRS*

(a) *Effective in 2018 that are Relevant to the Group*

The Group adopted for the first time the following new standards, amendments, interpretations and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PAS 40 (Amendments)	:	Investment Property – Reclassification to and from Investment Property
PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contracts with Customers; Clarifications to PFRS 15
International Financial Reporting Interpretations Committee (IFRIC) 22	:	Foreign Currency Transactions and Advance Consideration
Annual Improvements to PFRS (2014-2016 Cycle)		
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value

Discussed below and in the succeeding pages are the relevant information about these pronouncements.

(i) PAS 40 (Amendment), *Investment Property – Reclassification to and from Investment Property*. The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments provided a non-exhaustive list of examples constituting change in use. The application of these amendments has no impact on the Group's consolidated financial statements.

(ii) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments replaced PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 issued in 2009, 2010 and 2013. This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);

- an ECL model in determining impairment of all debt financial assets that are not measured at FVTPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of such financial assets; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

The Group's new accounting policies relative to the adoption of PFRS 9 are fully disclosed in Notes 2.4 and 2.10 while the related disclosures on credit risk are presented in Note 28.2.

The significant impact of the adoption of this new accounting standard to the Group's consolidated financial statements are as follows:

a. Measurement of Financial Assets at Amortized Cost

Consistent with the measurement under PAS 39, all financial assets previously classified as loans and receivables, which are held by the Group to collect contractual cash flows and that give rise to cash flows representing solely payments of principal and interest, continue to be at amortized cost.

The Group used ECL methodology for all debt financial assets not held at FVTPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. There is no transition adjustment in relation to the impairment allowance on trade and other receivables and contract assets as of January 1, 2018.

b. *Reclassification from Available-for-Sale Financial Assets (AFS) to Financial Assets at FVOCI*

AFS financial assets is composed of quoted equity securities (see Note 8). In applying PFRS 9, the Group shall make an irrevocable designation whether these equity securities shall be classified as financial assets at FVTPL or at FVOCI. The Group initially assessed that these equity securities shall be designated, on date of initial application, as financial assets at FVOCI. Thus, these instruments will continue to be measured at fair value, with mark-to-market fluctuations and realized gains or losses on sale directly recognized in other comprehensive income (OCI).

c. *Amortized Cost Classification and Measurement of Financial Liabilities*

All of the financial liabilities of the Group are measured at amortized cost. Upon application of PFRS 9, management has assessed that the amortized cost classification for all of the financial liabilities will be retained.

(iii) PFRS 15, *Revenue from Contracts with Customers*, together with the *Clarifications to PFRS 15* (herein referred to as PFRS 15). This standard replaced PAS 18*, Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said standard is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Relative to the adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of the following:

- PIC Q&A 2016-04, *Application of PFRS 15*, "*Revenue from Contracts with Customers," on Sale of Residential Properties under Pre-completion Contracts*. This Q&A clarifies that sales of residential properties under pre-completion stage is recognized over time on the basis that the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable insight to payment for performance completed to date.

- PIC Q&A 2018-12, *PFRS 15 – Implementation Issues Affecting the Real Estate Industry*. This Q&A provides guidance on the application of PFRS 15 to real estate industry.

- PIC Q&A 2018-14, *PFRS 15 – Accounting for Cancellation of Real Estate Sales*. This Q&A provides guidance on the appropriate accounting treatment for cancellation of real estate sales.

Relative to the adoption of PFRS 15 and relevant PIC Q&As, the SEC issued the following Memorandum Circulars (MC) to provide relief to the real estate industry in the application of certain provisions of the new standard:

- MC No. 14 series of 2018. This circular allows the deferral of the following concepts from PIC Q&A 2018-12 for a period of three years:

  (i) accounting for the significant financing component in a contract to sell;

  (ii) treatment of land in the determination of percentage of completion; and,

  (iii) treatment of uninstalled materials in the determination of percentage of completion.

- MC No. 3 series of 2019. This circular allows the deferral of the application of PIC Q&A 2018-12-H, *Accounting for Common Usage Service Area Charges*, and PIC Q&A 2018-14 for a period of three years.

The Group elected to defer the adoption of the accounting for the significant financing component in a contract to sell under PIC P&A 2018-12 in accordance with MC No. 14 series of 2018 and the measurement of repossessed inventory at fair value under PIC Q&A 2018-14 in accordance with MC No. 3 series of 2019.

Had the Group elected not to defer the above specific provisions, it would have the following impact in the consolidated financial statements.

- The transaction price would have been lower for seller-financed contracts and higher for buyer-financed contracts; and,

- The carrying amount of all repossessed inventory would have been recorded at fair value less cost to repossess and a gain from repossession would have been recognized.

The Group's adoption of PFRS 15 has resulted in changes in its accounting policies (see Notes 2.5 and 2.14) and adjustments to the amounts previously recognized and presented in the Group's consolidated financial statements. The Group has applied PFRS 15 retrospectively to all outstanding contracts as of January 1, 2016 in accordance with the standard's transitional provisions. It has made the following adjustments to its prior period consolidated financial statements:

- reclassified portion of Trade receivables relating to rights to payment which are conditioned upon the completion of units sold to Contract Assets account;

- restated the balances of Property Development Costs, Residential and Condominium Units for Sale, and Cost of Sales to reflect policy changes on the determination of percentage of completion;

- presented Property Development Costs, and Residential and Condominium Units for Sale, as a single line item in the consolidated statement of financial position under the account title Real Estate Inventories;

- restated interest income from real estate sales relating to Trade receivables recognized upon completion of the performance obligation;

- capitalized commissions directly related to contract acquisitions, previously charged under Costs and Expenses in the consolidated statement of comprehensive income, under Prepayments and Other Current Assets and partly under Other Non-Current Assets in the consolidated statement of financial position and presented the amortization of capitalized commission as part of Commissions under Costs and Expenses section in the consolidated statement of comprehensive income;

- presented Contract Liabilities account for the amount of consideration received from customers in excess of the amount the Group entitled to based on the progress of the development of the property sold; and,

- restated Deferred tax expense and Deferred Tax Liabilities to account for the temporary differences on the adjustments made.

In making its disclosures, the Group used a practical expedient not to present the amount of transaction price allocated to unsatisfied performance obligations as of December 31, 2017. This is not expected to have a significant impact to the financial statements. The Group did not use any other practical expedients in applying PFRS 15.

(iv) IFRIC 22, *Foreign Currency Transactions and Advance Consideration.* The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The application of this interpretation has no impact on the Group's consolidated financial statements.

(v) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value* is relevant to the Group. The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture. Management has initially assessed that this improvement has no material impact on the Group's consolidated financial statements.

(b) *Effective in 2018 that are not Relevant to the Group*

The following amendments to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2018 but are not relevant to the Group's consolidated financial statements:

PFRS 1 (Amendments)	:	First-time Adoption of Philippines Financial Reporting Standards – Deletion of Short-term Exemptions
PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9 with PFRS 4, Insurance Contracts

(c) *Effective Subsequent in 2018 but not Adopted Early*

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

(ii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

(iv) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

With regard to the Group's certain leases (see Note 27.2), the management assessed that they will recognized right-of-use asset and lease liability over its lease term and plans to adopt the modified retrospective application recognized as an adjustment to the opening balance of Retained Earnings account at the date of initial application. The Group will elect to apply the standard to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application.

(v) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

(vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vii) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Company obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Company obtains joint control of the business.

(viii) Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective January 1, 2020). The amendments clarify the definition of 'materiality' in PAS 1 and how it should be applied. The amendments also improve the explanations of the definition and ensure consistency across all PFRSs and other pronouncements.

2.3 Basis of Consolidation and Interests in Joint Ventures

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company is, using consistent accounting principles.

The Company accounts for its investments in subsidiaries, associates, non-controlling interests and interests in joint ventures as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when (a) it has power over the entity, (b) it is exposed, or has rights to, variable returns from its involvement with the entity, and (c) it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.11).

(b) Investments in Associates

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in associates.

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Earnings (Losses) of Associates account in the Group's consolidated statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investments in associates will not be recovered (see Note 2.19).

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) *Transactions with Non-controlling Interests*

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) *Interests in Joint Ventures*

For interests in jointly controlled operations, the Group recognizes in its consolidated financial statements its share of the jointly controlled assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other venturers in relation to the joint venture, any income from the sale or use of its share of the output of the joint venture, and any expenses that it has incurred in respect of its interest in the joint venture. No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the venturers.

The Company holds interests in various subsidiaries and associates as presented in Note 1.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Disclosure and Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) *Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9*

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are categorized into the following categories: financial assets at amortized cost and financial assets at FVOCI.

(i) *Financial Assets at Amortized Cost*

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

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

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to suppliers and contractors and Advances to condominium associations and Others), and Advances to Related Parties accounts in the consolidated statements of financial position.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of income as part of Finance Income.

(ii) Financial Assets at FVOCI

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL. The Group has designated equity instruments as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in the consolidated statements of income as part of Other Income, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and AFS securities. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

A more detailed description of categories of financial assets that are relevant to Group is presented below.

(i) 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. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to suppliers and contractors, Advances to condominium association and Others) and Advances to Related Parties accounts in the consolidated statements of financial position.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(c) Impairment of Financial Assets under PFRS 9

From January 1, 2018, the Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Group's identification of a credit loss event. Instead, the Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance, for trade receivables and contract assets. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In applying this approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. In calculating the ECL, the Group incorporates forward-looking information based on reasonable and supportable macroeconomic variables (e.g. inflation and interest rates).

The Group applies a general approach specifically, in relation to advances to related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

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

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) Impairment of Financial Assets Under PAS 39

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' 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 rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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 (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(ii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is reclassified from Revaluation Reserves account in equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(e) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs accounts in the consolidated statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(f) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Real Estate Inventories

Cost of real estate inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties (see Note 2.21). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed.

Costs of real estate inventories are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, 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. Any impairment loss from a real estate inventory is charged to operations during the period in which the loss is determined.

Repossessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or contract asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of comprehensive income.

2.6 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as other non-current assets.

2.7 Property and Equipment

Property and equipment, except for land, are stated cost less accumulated depreciation, amortization and any impairment in value. Land is stated at cost less any impairment in value. As no finite useful life can be determined on the property, it's related carrying amount is not depreciated. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building and other improvements	5-25 years
Transportation equipment	5 years
Office furniture and equipment	3-5 years

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

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

2.8 Intangible Asset

Intangible asset includes acquired computer software license, which is capitalized on the basis of the costs incurred to acquire, install and service the specific software. Costs associated with maintaining computer software are expensed as incurred.

Capitalized costs of intangible asset are amortized on a straight-line basis over the estimated useful lives (three years) as the lives of these intangible assets are considered finite. In addition, intangible asset is subject to impairment testing as described in Note 2.19.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.9 Investment Property

Investment property consists of building and office/commercial units held for lease and a parcel of land held for capital appreciation. Land held for capital appreciation is measured at cost less any impairment while building and office/commercial units held for lease are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation for building and office/commercial units classified as investment property is computed on the straight-line basis over the estimated useful life of 20 to 50 years.

Transfers to, or from, investment properties shall be made when and only when there is a change in use or purpose for such property.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

2.10 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables (except tax-related liabilities), advances from related parties and other current liabilities (excluding refund liability) are recognized when the Group becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments. All interest-related charges, except capitalized borrowing costs, incurred on a financial liability are recognized as an expense in profit or loss under the Finance Costs in the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss and/or capitalized on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Business Combination

(a) Accounting for Business Combination using the Acquisition Method

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.19).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(b) Accounting of Business Combination using the Pooling-of-interests Method

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognized any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2 – *Application of Pooling of Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements*; hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as "equity reserves", which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements.

2.12 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Revenue and Expense Recognition

Revenue comprises revenue from sale of real properties, and rendering of services.

To determine whether to recognize revenue from sale of real properties, the Group follows a five-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligation;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and,
5. Recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

a. the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
b. each party's rights regarding the goods or services to be transferred or performed can be identified;
c. the payment terms for the goods or services to be transferred or performed can be identified;
d. the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
e. collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized.

The Group develops real properties such as house and lot and condominium units. The Group often enters into contracts to sell real properties as they are being developed. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell pre-completed real properties is disclosed in Note 3.1(a). Sales cancellations are accounted for on the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss.

(a) *Real estate sales on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized from real estate sales is presented as part of Real Estate Sales account under the Revenues and Income section in the consolidated statement of comprehensive income.

(b) *Real estate sales on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer. Revenue recognized from real estate sales is presented as part of Real Estate Sales account under the Revenues and Income section in the consolidated statement of comprehensive income.

    For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the Group.

(c) *Forfeited collections and deposits* – Revenue is recognized at point in time in the year the contract was cancelled.

(d) *Marketing and management fees* – Revenue is recognized over time in the same amount to which the entity has the right of invoice to the customer. Any amounts remaining unbilled at the end of the reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

(e) *Commission* – Revenue is recognized by the amount in which the Company has a right to invoice that corresponds directly with the value of services rendered to customers that is completed over time (i.e., end of each month).

(f) *Tuition and miscellaneous fees* – Revenue is recognized over time over the corresponding school term.

Incremental costs of obtaining a contract to sell real property to customers are recognized as an asset and are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Other costs and expenses are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred. Finance costs are reported on an accrual basis except capitalized borrowing costs (see Note 2.21).

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.4(c)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Groups obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on sale of real estate, consideration received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

2.15 Direct Contract Cost

Commissions represent a certain percentage of contract price given to the real estate brokers and/or agents who handle the sales and marketing of the Group's residential and high-rise projects. Commissions are recognized as expense in the period in which they are incurred. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission presented under Prepayments and Other Current Assets in the statement of financial position (see Note 19.3).

2.16 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in the consolidated profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the consolidated profit or loss on a straight-line basis over the lease term (see Note 2.14).

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.17 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments,* are the same as those used in its consolidated financial statements, except that post-employment benefit expense is not included in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.18 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the consolidated statement of comprehensive income.

2.19 Impairment of Non-financial Assets

The Group's advances to landowners and joint ventures, investment in associates, property and equipment, intangible assets, investment property, goodwill and other non-financial assets are tested for impairment. Goodwill is tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested for impairment either individually or at cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.20 Employee Benefits

The Group provides short-term benefits, post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized as follows:

(a) *Short-term benefits*

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Salaries and Employee Benefits under Cost and Expenses section in the statement of comprehensive income.

(b) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Philippine Dealing & Exchange Corp. (PDEx) in 2017 and prior years, and Bloomberg thru its valuation technology, Bloomberg Valuation (BVAL) starting in 2018], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL and PDEx provides evaluated prices that are based on the market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(c) *Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(d) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.21 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. For financial reporting purposes, interest and other costs on certain borrowings that are attributable to the acquisition, construction or development of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of Real Estate Inventories account in the consolidated statement of financial position and consolidated statement of comprehensive income, respectively. The capitalization of borrowing costs commences when expenditures for the asset are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.22 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of each reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

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

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

2.24 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. For the years ended December 31, 2018, 2017 and 2016, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

2.25 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury stock are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves arise from remeasurements on retirement benefit obligation, net of applicable taxes, and unrealized gains and losses arising from fair value changes of financial assets at FVOCI (AFS financial assets in 2017).

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income.

2.26 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Judgments in Applying Accounting Policies

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

(a) Evaluation of Timing of Satisfaction of Performance Obligations

(i) Real Estate Sales

The Group exercises significant judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Group considers the following:

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determined that its performance obligation is satisfied over time since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

(ii) Forfeited Collections and Deposits

The Group determines that its revenue from forfeited collections and deposits shall be recognized at point in time in the year the contract was cancelled.

(iii) Marketing, Management Fees and Commission

The Group determines that its revenue from marketing, management fees and commission shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date i.e., generally when the customer has acknowledged the Group's right to invoice.

(iv) Tuition fees

The Group determines that its revenue from tuition fees shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the counterparties. The Group render services without the need of reperformance of other companies. This demonstrates that the counterparties simultaneously receive and consume the benefits of the Group's rendering of services as it performs.

(b) Revenue Recognition on Sales of Completed and Pre-completed Real Estate Properties

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(c) Determination of ECL on Trade and Other Receivables, Contract Assets and Advances to Related Parties (2018)

The Group uses a provision matrix to calculate ECL for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type, and coverage by guarantee and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL accounting policy on the Group's trade and other receivables and contract assets are disclosed in Note 2.4(c).

In relation to advances to related parties, and management fee receivable and rent receivable (related party receivable), PFRS 9 notes that the maximum period over which ECL should be measured is the longest contractual period where the Group is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines ECL based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date, taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be fully collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

Based on the relevant facts and circumstances existing at the reporting date, management has assessed that all strategies indicate that the Group can fully recover the outstanding balance of its receivables.

(d) Impairment of AFS Financial Assets (2017 and 2016)

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and, the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Note 8 shows an analysis of the carrying amount of AFS financial assets in 2017.

(e) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Company's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Notes 8.

(f) Distinction Among Investment Property and Owner-managed 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 an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process while land held for future development are properties intended solely for future development and sale.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, 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.

Based on management's assessment, properties held for lease and for capital appreciation qualifies as investment property.

(g) Distinction Between Real Estate Inventories and Investment Property

Residential and condominium units for sale, included under real estate inventories, comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise of land and buildings 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. The Group considers management's intention over these assets in making its judgment.

(h) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Based on management's assessment, all of the Group's current lease agreements are classified as operating leases.

(i) Distinction Between Asset Acquisition and Business Combinations

The Company acquires subsidiaries that own real estate properties. At the time of acquisition, the Company considers whether the acquisition represents the acquisition of a business. The Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40 on ancillary services.

In 2015, the Company acquired 100% ownership interest in 20th Century as described in Note 1.1. The acquisition is accounted for as business combinations.

In 2018, the Company acquired de facto control over PCMI as described in Note 1.2. The acquisition is accounted for as business combination.

(j) Consolidation of Entities in which the Group Holds 50% or Less

Management considers that the Group has de facto control over PCMI even though it holds less than 50% of the ordinary shares and voting rights in that company.

(k) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and disclosures on relevant contingencies are presented in Note 27.

3.2 Key Sources of Estimation Uncertainty

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

(a) Revenue Recognition for Performance Obligation Satisfied Over Time

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

(b) Estimation of Allowance for ECL (2018)

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 28.2.

(c) Determination of Net Realizable Value of Real Estate Inventories

In determining the net realizable value of real estate inventories, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's Inventories within the next reporting period.

Considering the Group's pricing policy, the net realizable value of the Real Estate Inventories are higher than their related carrying values as of the end of the reporting periods.

(d) Estimation of Useful Lives of Property and Equipment, Intangible Asset and Investment Property

The Group estimates the useful lives of property and equipment, intangible asset, and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, intangible asset and investment property are analysed in Notes 11, 12 and 13, respectively. Based on management's assessment as at December 31, 2018 and 2017, there is no change in estimated useful lives of property and equipment, and investment property during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Impairment of Trade and Other Receivables and Advances to Related Parties (2017 and 2016)

Adequate amount of allowance is provided for specific and groups of accounts, where an objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Certain trade and other receivables were found to be impaired while no provision for impairment losses on Advances to Related Parties account needed to be recognized. The carrying value of trade and other receivables and advances to related parties are shown in Notes 6 and 24.1, respectively.

(f) Valuation of Financial Assets Other than Trade and Other Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ had the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect consolidated profit and loss and equity.

The carrying amounts of financial asset at FVOCI (previously AFS Financial Assets) and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 8.

(g) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The carrying values of the Group's deferred tax assets as of December 31, 2018 and 2017 are disclosed in Note 23.2.

(h) Impairment of Goodwill and Other Non-financial Assets

Goodwill is reviewed annually for impairment while other non-financial assets are tested whenever certain impairment indicators become present. In assessing impairment, the management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Also, the Group's policy on estimating the impairment of goodwill and other non-financial assets is discussed in detail in Note 2.19.

Material amount of goodwill amounting to P77.3 million arising from the acquisition of LBASSI has been tested for impairment. The recoverable amount of cash generating units assigned to LBASSI amounted to P165.2 million in 2018 and 2017, determined using a cash flow projection covering a five-year period with growth rates of 5% to 10% and applicable discount rates. The discount rates and growth rate are the key assumptions used by management in determining the recoverable amount of cash generating units. Management believes that the key assumptions used are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse effect on the results of operations. Management has also determined that a reasonably possible change in these key assumptions would not cause the carrying amount of the cash generating unit exceed their respective recoverable amounts. Based on management's assessment, no impairment loss needs to be recognized on goodwill since the recoverable amount of the cash generating units is greater than their carrying amount in both years presented (see Note 1). In addition, no impairment losses were recognized on advances to landowners and joint ventures, investments in associates, property and equipment, intangible asset, investment property, and other non-financial assets in 2018, 2017 and 2016 (see Notes 9, 10, 11, 12 and 13).

(i) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the retirement benefit obligation in the next reporting period.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 22.2.

(j) Determination of Fair Value of Investment Property

Investment property is measured using the cost model. The Group determines the fair values of building and building improvements using either thru the discounted cash flows valuation technique (income approach) or market based valuation technique (market approach). The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and, appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

For land, the Group determines the fair value through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 13 and 30.4.

(k) Basis for Revenue Recognition Collection Threshold

The Group recognizes its revenue from sale of real estate in full when at least 15% or more of the total contract price is received. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history from customers and number of back-out sales in prior years. Buyer's interest in the property is considered to have vested when the payment of at least 15% of the contract price has been received from the buyer and the Group has ascertained the buyer's commitment to complete the payment of the total contract price.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. It classifies and monitors its projects into high-rise and horizontal. High-rise projects refer to condominiums and other medium scale properties while the horizontal projects refer to house and lot packages, and subdivision lots. Both are intended for middle income market.

4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating receivables, property development costs, and residential and condominium units for sale. Segment liabilities include all operating liabilities incurred by management in each particular segment.

4.3 Intersegment Transactions

There are no intersegment transactions. In case of inter-segment sales and transfers, the Group generally accounts for them as if the sales or transfers were made to third parties at current market prices. Intersegment sales and transfers, if any, are eliminated in the preparation of the consolidated financial statements.

4.4 Analysis of Segment Information

The tables presented in the succeeding pages present the revenue and profit information for the years ended December 31, 2018, 2017 and 2016 and certain asset and liability information regarding segments as at December 31, 2018 and 2017.

	High Rise Projects			Horizontal Projects			Total		
	2018	2017 (As Restated – see Note 2.1)	2016 (As Restated – see Note 2.1)	2018	2017 (As Restated – see Note2.1)	2016 (As Restated – see Note 2.1)	2018	2017 (As Restated – see Note 2.1)	2016 (As Restated – see Note 2.1)
REVENUES									
Real estate sales	**P 3,331,891,869**	P 3,577,749,754	P 3,286,220,137	**P 180,651,069**	P 355,636,807	P 677,281,191	**P 3,512,542,938**	P 3,933,386,561	P 3,963,501,328
Finance income	**54,852,121**	51,531,646	68,477,092	**25,083,355**	19,637,623	14,409,054	**79,935,476**	71,169,269	82,886,146
Rental income	**103,810,109**	73,616,139	81,534,364	**1,631,906**	67,427,516	18,502,697	**105,442,015**	141,043,655	100,037,061
Commission and other income	**221,260,381**	192,180,493	192,345,196	**37,351,746**	14,862,727	33,362,882	**258,612,127**	207,043,220	225,708,078
	3,711,814,480	3,895,078,032	3,628,576,789	**244,718,076**	457,564,673	743,555,824	**3,956,532,556**	4,352,642,705	4,372,132,613
COSTS AND OTHER OPERATING EXPENSES									
Cost of real estate sales	**1,989,219,750**	2,160,426,523	2,241,281,255	**69,009,125**	110,476,962	249,607,147	**2,058,228,875**	2,270,903,485	2,490,888,402
Finance costs	**50,669,576**	54,241,397	33,713,864	**12,391,186**	31,279,637	25,442,995	**63,060,762**	85,521,034	59,156,859
Rentals	**99,243,761**	164,488,032	163,148,680	**960,553**	1,428,346	1,364,193	**100,204,314**	165,916,378	164,512,873
Commissions	**77,616,710**	107,387,793	95,292,702	**14,591,852**	10,758,974	11,581,927	**92,208,562**	118,146,767	106,874,629
Advertising and promotion	**75,119,172**	110,237,016	69,862,095	**12,973,989**	16,411,021	11,021,550	**88,093,161**	126,648,037	80,883,645
Taxes and licenses	**34,663,910**	66,511,920	35,775,392	**15,023,554**	10,680,545	9,978,173	**49,687,464**	77,192,465	45,753,565
Association dues	**43,603,112**	32,727,344	18,498,036	**7,624,153**	3,553,401	5,396,444	**51,227,265**	36,280,745	23,894,480
Salaries and employee benefits	**3,251,311**	2,008,661	702,535	**185,289**	109,138	383,775	**3,436,600**	2,117,799	1,086,310
Others	**23,925,974**	51,828,950	46,566,468	**11,308,005**	8,420,414	17,164,939	**35,233,979**	60,249,364	63,731,407
Cost and other operating expenses excluding depreciation and amortization	**2,397,313,276**	2,749,857,636	2,704,841,027	**144,067,706**	193,118,438	331,941,143	**2,541,380,982**	2,942,976,074	3,036,782,170
Depreciation and amortization	**16,201,422**	3,349,999	3,351,288	**12,417,724**	13,668,347	13,766,082	**28,619,146**	17,018,346	17,117,370
	2,413,514,698	2,753,207,635	2,708,192,315	**156,485,430**	206,786,785	345,707,225	**2,570,000,128**	2,959,994,420	3,053,899,540
SEGMENT OPERATING PROFIT	**P 1,298,299,782**	P 1,141,870,397	P 920,384,474	P **88,232,646**	P 250,777,888	P 397,848,599	**P 1,386,532,428**	P 1,392,648,285	P 1,318,233,073
SEGMENT ASSETS AND LIABILITIES									
Segment assets	**P 23,298,437,486**	P 20,538,595,066	P 18,902,226,599	**P 7,560,051,807**	P 7,831,783,506	P 8,013,100,029	**P 30,858,489,293**	P 28,370,378,572	P 26,915,326,628
Segment liabilities	**3,173,846,164**	2,521,148,119	2,250,829,987	**313,724,708**	322,516,522	335,097,570	**3,487,570,872**	2,843,664,461	2,585,927,557

4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2018	2017 (As Restated – see Note 2.1)	2016 (As Restated – see Note2.1)
Revenues			
Total segment revenues	**P 3,956,532,556**	P 4,352,642,705	P 4,372,132,613
Unallocated revenues:			
Finance income	**210,246,230**	170,001,989	193,985,507
Commission income	**-**	119,381,451	126,759,525
Rental income from investment property	**5,678,477**	5,373,315	5,308,465
Equity share in net earnings (losses) of associates	**-**	-	813,301
Other income	**270,611,848**	217,207,395	220,592,398
	486,536,555	511,964,150	547,459,196
Revenues as reported in the consolidated statements of comprehensive income	**P 4,443,069,111**	P 4,864,606,855	P 4,919,591,809
Profit or loss			
Segment operating profit	**P 1,386,532,428**	P 1,392,648,285	P 1,318,233,073
Other unallocated income	**486,536,555**	511,964,150	547,459,196
Other unallocated expenses	**(1,337,912,463)**	(1,335,303,619)	(1,344,167,860)
Net profit as reported in the consolidated statements of comprehensive income	**P 535,156,520**	P 569,308,816	P 521,524,409
Assets			
Segment assets	**P30,858,489,293**	P28,370,378,572	
Unallocated assets:			
Cash and cash equivalents	**1,816,898,287**	1,280,896,149	
Trade and other receivables-net	**3,532,569,255**	2,962,270,795	
Advances to related parties	**2,927,206,315**	2,502,356,313	
Prepayments and other current assets	**581,459,609**	444,167,282	
Available-for-sale financial assets	**-**	1,801,600,000	
Financial asset at FVOCI	**1,339,940,000**	-	
Advances to landowners and joint ventures	**142,458,052**	306,887,895	
Investment in associates	**285,905,713**	1,162,295,541	
Property and equipment - net	**248,967,253**	198,143,172	
Investment property – net	**727,175,156**	118,555,626	
Intangible assets	**54,717,213**	-	
Other non-current assets	**84,405,590**	84,524,301	
	11,741,702,443	10,861,697,074	
Total assets as reported in the consolidated statements of financial position	**P42,600,191,736**	P39,232,075,646	

	2018	2017 (As Restated – see Note 2.1)
Liabilities		
Segment liabilities	**P 3,487,570,872**	P 2,843,664,641
Unallocated liabilities:		
Interest-bearing loans and borrowings	**2,056,736,482**	2,001,412,976
Trade and other payables	**1,786,066,286**	1,765,149,256
Customers' deposits	**22,753,104**	133,518,037
Advances from related parties	**4,578,102,879**	3,678,125,997
Income tax payable	**41,594**	6,495,737
Other current liabilities	**728,469,012**	678,774,642
Retirement benefit obligation	**305,283,627**	570,284,259
Deferred tax liabilities - net	**1,940,078,073**	1,718,056,824
	11,417,531,057	10,551,817,728
Total liabilities as reported in the consolidated statements of financial position	**P14,905,101,929**	P13,395,482,369

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2018	2017
Cash on hand and in banks	**P 1,092,012,128**	P 1,134,495,072
Short-term placements	**724,886,159**	146,401,077
	P 1,816,898,287	P 1,280,896,149

Cash in banks generally earn interest based on the daily bank deposit rates.

Peso-denominated short-term placements are made for varying periods of up to 60 days for both 2018 and 2017 and 17 days in 2016 and earn annual effective interest ranging from 0.3% to 6.5% in 2018, 0.5% to 2.8% in 2017, and 0.2% to 2.3% in 2016. Dollar-denominated short-term placements are made for varying periods of up to 32 days in 2018, 37 days in 2017, and 38 days in 2016 and earn annual effective interest ranging from 0.4% to 2.3% in 2018, 0.4% to 0.8% in 2017 and in 2016 (see Note 21.1).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	2018	2017 (As Restated – see Note 2.1)
Current:			
Trade receivables	24.2	**P2,461,039,935**	P2,084,112,305
Advances to suppliers and contractors		**1,885,855,650**	1,322,221,647
Rent receivable	24.2	**370,472,421**	323,176,047
Advances to condominium associations		**167,668,606**	137,580,706
Interest receivable	24.4	**165,163,264**	199,517,464
Management fee receivable	24.2	**71,717,709**	216,162,495
Others		**421,358,895**	334,294,514
		5,543,276,480	4,617,065,178
Allowance for impairment		**(244,711)**	(273,122)
		5,543,031,769	4,616,792,056
Non-current:			
Trade receivables		**1,233,256,236**	1,482,722,463
Refundable security deposits		**103,458,434**	101,260,882
Others		**-**	63,820,351
		1,336,714,670	1,647,803,696
		P6,879,746,439	P6,264,595,752

The Group's trade and other receivables have been reviewed for indications of impairment. Certain trade receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment on current trade and other receivables at the beginning and end of 2018 and 2017 is shown below.

	2018	2017
Balance at beginning of year	**P 273,122**	P 462,402
Write-off during the year	**(18,300)**	(66,756)
Recovery of accounts previously provided with allowance	**(10,111)**	(142,361)
Impairment losses during the year	**-**	19,837
Balance at end of year	**P 244,711**	P 273,122

Impairment losses are presented as part of Miscellaneous under Other Expenses account in the consolidated statements of comprehensive income (see Note 20.2).

Trade receivables of the Group are either interest-bearing or noninterest-bearing. The installment period of interest-bearing sales contracts ranges from 2 to 12 years while interest ranges from 16% to 22%. Interest-bearing receivables bear interest rates comparable to market rates. The related interest earned on these sales contracts amounting to P11.6 million in 2018, P12.0 million in 2017, and P54.2 million in 2016 are reported as part of Finance Income in the consolidated statements of comprehensive income (see Note 21.1).

The installment period of noninterest-bearing sales contracts ranges from three to five years while interest is fixed at 7%. Noninterest-bearing trade receivables are measured at amortized cost using the effective interest method based on the interest rate of comparable financial instruments in the market. Day-one loss amounting to P63.1 million in 2018, P85.5 million in 2017, and P59.2 million in 2016 are presented as part of Finance Costs in the consolidated statements of comprehensive income (see Note 21.2). Amortization of day-one loss amounting to P85.5 million in 2018, P59.2 million in 2017 and P28.6 million in 2016 are presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 21.1).

Trade and other receivables (excluding Advances to suppliers and contractors, advances to condominium associations and others) are subject to credit risk exposure. The Group, however, does not identify specific concentrations of credit risk with regard to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers. In addition, certain accounts receivable from trade customers are covered by post-dated checks. The Group also retains the titles to the property until such time that the trade receivables are fully collected. Repossessed properties are offered for sale to other customers.

The Group partially finances its real estate projects and other business undertakings through assignment of its trade receivables on a with recourse basis with certain local banks (see Note 14).

Advances to suppliers and contractors represent downpayments made by the Group to the suppliers and contractors based on a certain percentage of the contract price, construction materials purchased by the Group that are used by the contractors, and utility consumption that are chargeable to contractors. The initial payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the suppliers and contractors.

Advances to condominium associations represent advances made by the Group to Condominium Association, Inc. (CAI), Homeowner's Association (HOA), and unit owners. The purpose of these advances are mainly for the charges of utilities, real property taxes, licenses and management fee.

Refundable deposits include various deposits to third parties for electrical, internet subscription, exhibits and other utilities, and equipment needed in the development of the projects. All deposits, except for deposits to an electric company, do not earn interest. Such deposits are only refundable upon completion of the projects or upon return of the equipment used. However, the exact date or period of completion of projects or return of equipment is indeterminable. Accordingly, refundable deposits are accounted for at cost.

Other receivables, both current and non-current, include advances to joint ventures for processing of business permits and licenses, and unliquidated advances from employees and real estate consultants.

As of December 31, 2018 and 2017, certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer since the titles to the real estate properties sold remain with the Group until such receivables are fully collected.

7. REAL ESTATE INVENTORIES

The Group's real estate inventories at the end of 2018 and 2017 were stated at cost. The composition of this account as at December 31 is shown below (see Note 18).

	2018	2017 (As Restated – see Note 2.1)
Residential and condominium units for sale	**P 17,774,124,885**	P17,761,889,392
Raw land inventory	**5,121,335,396**	2,925,390,962
Property development costs	**1,925,781,036**	1,908,888,955
	P 24,821,241,317	P22,596,169,309

7.1 Residential and Condominium Units for Sale

This account represents the accumulated costs incurred, net of recognized cost of real estate sales in the consolidated statements of comprehensive income (see Note 18), on house and lots and condominium units available for sale. The subdivision houses include houses that are ready for occupancy, house models and units under construction.

Total borrowing costs capitalized to this account amounted to P117.7 million, P89.9 million, and P93.2 million in 2018, 2017 and 2016, respectively (see Note 14).

Certain properties presented as part of Real Estate Inventories with total estimated carrying value of P59.3 million and P110.7 million as of December 31, 2018 and 2017, respectively, are used as security for the Group's interest-bearing loans and borrowings (see Note 14).

7.2 Property Development Costs

This account pertains to accumulated costs incurred on projects which are not yet offered for sale as of the end of the reporting periods.

7.3 Net Realizable Value

Management believes that the net carrying amounts of these assets are lower than their net realizable values considering present market rates; hence, no provisions for write-down of real estate inventories have been recognized in the consolidated financial statements.

8. FINANCIAL ASSETS AT FVOCI (2017: AFS FINANCIAL ASSETS)

The movement of the carrying amounts of financial assets at FVOCI is as follows:

	2018	2017
Balance at beginning of year	**P 1,801,600,000**	P 1,439,028,000
Fair value gains (losses)	**(461,660,000)**	362,572,000
Balance at end of year	**P 1,339,940,000**	P 1,801,600,000

Financial assets at FVOCI pertains to investments held by EPHI in equity securities of the ultimate parent company, whose shares are listed in the PSE. The fair value of these securities has been determined directly by reference to published prices in an active market. The fair value of these investments as of December 31, 2018 and 2017, is categorized as Level 1 in the fair value hierarchy (see Note 30.2).

The net accumulated fair value gains or losses in financial assets at FVOCI is shown as part of Revaluation Reserves account in the equity section of the consolidated statements of financial position (see Note 25.3).

Dividends earned amounted to P11.3 million in 2018 and P34.9 million in 2016 (nil in 2017) and are presented as Dividend income under Finance Income in the consolidated statements of comprehensive income (see Note 21.1).

9. ADVANCES TO LANDOWNERS AND JOINT VENTURES

The cash advances made by the Group relate to a number of joint venture agreements entered into with landowners covering the development of certain parcels of land. The joint venture agreements stipulate that the Group's joint venture partners shall contribute parcels of land and the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of condominium units to be constructed on the properties. Costs incurred by the Group for these projects are recorded as part of Real Estate Inventories account in the consolidated statements of financial position (see Note 7). In addition to providing specified portion of the total project development costs, the Group also commits to advance mutually agreed-upon amounts to the landowners which will then be used for purposes such as reconsolidation/separation/subdivision of mother titles and relocation of existing occupants. Repayments of these advances may be made upon completion of the project development either in the form of residential condominium, commercial units or developed lots corresponding to the landowners' share in the projects or in the form of cash to be derived from the sales of the landowners' share in the saleable lots and residential condominium units.

The reconciliation of advances to landowners and joint ventures as of December 31 are as follows:

	2018	2017
Advances to landowners:		
Balance at beginning of year	**P 25,000,029**	P 25,000,029
Additional advances	**12,000,000**	-
Balance at end of year	**37,000,029**	25,000,029
Advances to joint ventures:		
Balance at beginning of year	**281,887,866**	281,871,366
Collections	**(183,206,743)**	-
Additional advances	**6,800,000**	16,500
Reclassification to escrow fee	**(23,100)**	-
Balance at end of year	**105,458,023**	281,887,866
	P 142,458,052	P 306,887,895

The Group commits to develop the properties based on the terms agreed with the joint venture partners. The Group has no existing commitment for cash advances under the joint venture agreements as this commitment has been fully complied with by the Group as of December 31, 2018 and 2017.

The net commitment for construction expenditures amounts to:

	2018	2017
Total commitment for construction expenditures	**P 10,304,770,365**	P 9,560,904,389
Total expenditures incurred	**(8,179,629,191)**	(7,383,619,228)
Net commitment	**P 2,125,141,174**	P 2,177,285,161

The Group's interest in jointly controlled operations and projects ranges from 55% to 82% in 2018 and 2017. The Group's jointly controlled projects are as follows:

- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon projects

As of December 31, 2018 and 2017, the Group has neither other material contingent liabilities with regard to these joint ventures.

10. INVESTMENTS IN ASSOCIATES

The components of investments in associates as of December 31 are as follows:

	2018		2017	
	% Interest Held	**Amount**	% Interest Held	Amount
Investments in associates – at equity				
Balance at beginning of year				
Acquisition costs:				
PCMI	**20%**	**P 877,776,747**	20%	P 877,776,747
GPMAI	**47%**	**293,960,618**	47%	293,960,618
		1,171,737,365		1,171,737,365
Derecognition during the year		**(877,776,747)**		-
Balance at end of year		**293,960,618**		1,171,737,365
Accumulated equity in net losses:				
Balance at beginning of year		**(9,441,824)**		(8,863,619)
Equity share in net losses for the year		**(6,310,718)**		(578,205)
Derecognition of PCMI share		**7,697,637**		-
Balance at end of year		**(8,054,905)**		(9,441,824)
		P 285,905,713		P 1,162,295,541

10.1 Acquisition of PCMI

In December 2018, still having 20% ownership interest in PCMI amounting to P877.8 million, the Company exercises control over PCMI; hence, the investment is accounted as an Investment in Subsidiary that was previously accounted for as an Investment in an Associate. The acquisition was accounted for under pooling-of-interests method of accounting.

10.2 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net income (loss) of associates are as follows:

	December 31, 2018					
	Current Assets	**Non-current Assets**	**Current Liabilities**	**Non-current Liabilities**	**Revenues**	**Net Loss**
GPMAI	**P 578,823,331**	**P 16,394,900**	**P 12,045,836**	**P -**	**P 5,897,566**	**(P 2,775,782)**

	December 31, 2017 (As Restated – See Note 2.1)					
	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Income (Loss)
PCMI	P 1,626,092,425	P 816,261,150	P 8,521,960	P -	P 3,405	(P 9,589,036)
GPMAI	581,498,051	16,497,377	12,047,251	-	3,332,796	674,613
	P 2,207,590,476	P 832,758,527	P 20,569,211	P -	P 3,336,201	(P 8,914,423)

As of December 31, 2018 and 2017, there are no available fair values for these investments in associates as they are not listed in stock markets.

Based on the assessment of the management, the investments in associates are not impaired due to the active efforts of the Group to raise funds in order to push through with the associates' projects.

10.3 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material non-controlling interest (NCI) are shown below.

	Proportion of Ownership Interest and Voting Rights Held by NCI		**Subsidiary's Consolidated Profit (Loss) Allocated to NCI**		**Accumulated Equity of NCI**	
Name	**2018**	2017	**2018**	2017	**December 31, 2018**	December 31, 2017
LBASSI	**72.50%**	72.50%	**P 1,003,890**	P 349,195	**P 79,637,731**	P 78,284,330
SPLI	**60.00%**	60.00%	**(65,737)**	(70,070)	**542,611,093**	542,676,829
PCMI	**20.00%**	-	**-**	-	**1,936,471,063**	-

The summarized financial information of LBASSI, SPLI, and PCMI before intragroup eliminations is shown below.

	Assets	**Liabilities**	**Equity**	**Revenues**	**Net Profit (Loss)**	**Other Comprehensive Income (Loss)**
December 31, 2018						
LBASSI	**P 175,734,505**	**P 55,913,631**	**P 119,820,874**	**P 52,373,775**	**P 3,650,508**	**P 1,270,944**
SPLI	**511,991,748**	**22,162,224**	**489,829,524**	**-**	**(164,342)**	**-**
PCMI	**2,429,036,789**	**8,447,960**	**2,420,588,829**	**-**	**(13,242,786)**	**-**
December 31, 2017						
LBASSI	P 165,276,740	P 50,377,318	P 114,899,422	P 48,197,151	P 1,269,800	P 948,382
SPLI	511,958,580	21,964,714	489,993,866	-	(175,174)	-

	Net Cash from (Used in) Operating Activities	Net Cash from (Used in) Investing Activities	Net Cash from (Used in) Financing Activities
2018			
LBASSI	**P 20,896,546**	**(P 10,400,236)**	**(P 309,344)**
SPLI	**(189,362)**	**-**	**202,510**
PCMI	**-**	**-**	**-**
2017			
LBASSI	P 9,331,732	(P 8,852,260)	(P 15,077,857)
SPLI	(190,496)	-	152,448

In 2018 and 2017, LBASSI, SPLI, and PCMI have not declared nor paid any dividends.

10.4 Contingent Liabilities

As of December 31, 2018 and 2017, the Company has no contingent liabilities for subsidiaries and associates which were incurred jointly with other investors and the Company is not severally liable for all or part of the contingent liabilities of the subsidiaries and associates.

Based on management's assessment, the Group's investments in associates are not impaired due to the active efforts of the Company to fund their respective operations.

10.5 Interests in Unconsolidated Structured Entities

The Group has no interests in unconsolidated structured entities.

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of items of property and equipment at the beginning and end of 2018 and 2017 are shown below.

	Land	Building and Other Improvements	Leasehold Improvements	Transportation Equipment	Office Furniture and Equipment	Total
December 31, 2018						
Cost	P 81,095,000	P 90,602,266	P 158,462,701	P 77,116,750	P 156,555,858	P 563,832,575
Accumulated depreciation and amortization	-	(40,375,354)	(77,074,831)	(60,314,585)	(137,100,552)	(314,865,322)
Net carrying amount	**P 81,095,000**	**P 50,226,912**	**P 81,387,870**	**P 16,802,165**	**P 19,455,306**	**P 248,967,253**
December 31, 2017						
Cost	P 81,095,000	P 82,394,341	P 103,068,557	P 73,318,902	P 145,218,016	P 485,094,816
Accumulated depreciation and amortization	-	(37,058,841)	(66,451,456)	(55,158,686)	(128,282,661)	(286,951,644)
Net carrying amount	P 81,095,000	P 45,335,500	P 36,617,101	P 18,160,216	P 16,935,355	P 198,143,172
January 1, 2017						
Cost	P 81,095,000	P 78,030,609	P 67,449,835	P 66,887,071	P 133,561,593	P 427,024,108
Accumulated depreciation and amortization	-	(34,064,531)	(63,845,726)	(52,196,761)	(121,472,495)	(271,579,513)
Net carrying amount	P 81,095,000	P 43,966,078	P 3,604,109	P 14,690,310	P 12,089,098	P 155,444,595

A reconciliation of the carrying amounts at the beginning and end of 2018 and 2017 is shown below.

	Land	Building and Other Improvements	Leasehold Improvements	Transportation Equipment	Office Furniture and Equipment	Total
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 81,095,000	P 45,335,500	P 36,617,101	P 18,160,216	P 16,935,355	P 198,143,172
Additions		8,207,925	55,394,144	4,470,141	11,422,861	79,495,071
Disposals	-	-	-	(273,978)	-	(273,978)
Write-off	-	-	-	(230,875)	-	(230,875)
Depreciation and amortization charges for the year	-	(3,316,513)	(10,623,375)	(5,323,339)	(8,902,910)	(28,166,137)
Balance at December 31, 2018, net of accumulated depreciation and amortization	**P 81,095,000**	**P 50,226,912**	**P 81,387,870**	**P 16,802,165**	**P 19,455,306**	**P 248,967,253**
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 81,095,000	P 43,966,078	P 3,604,109	P 14,690,310	P 12,089,098	P 155,444,595
Additions		4,363,732	35,618,722	8,065,921	11,684,102	59,732,477
Depreciation and amortization charges for the year	-	(2,994,310)	(2,605,730)	(4,596,015)	(6,837,845)	(17,033,900)
Balance at December 31, 2017, net of accumulated depreciation and amortization	P 81,095,000	P 45,335,500	P 36,617,101	P 18,160,216	P 16,935,355	P 198,143,172

In 2018, the Company retired certain transportation equipment with a gross carrying amount of P329,821. Also in 2018, the Company sold certain transportation equipment with a carrying amount of P273,978 the related gain on sale is amounting to P25,088. Also, in 2017, certain transportation equipment, and office and other equipment with nil book value were retired. The related derecognized costs and accumulated depreciation for transportation equipment, and office and other equipment amounted to P1.6 million and P27,679, respectively.

The amount of depreciation and amortization of property and equipment is presented as part of Depreciation and Amortization under Costs and Expenses section in the consolidated statements of comprehensive income.

The cost of fully depreciated assets still used in business amounted to P194.6 million and P190.0 million as of December 31, 2018 and 2017, respectively.

12. INTANGIBLE ASSET

In December 2018, the Company acquired software license with gross carrying amount of P54.7 million. No significant amortization charges had been incurred yet for the year. Intangible asset is subject to impairment testing whenever there is an indication that the carrying amount may be recoverable.

No impairment losses were recognized in 2018 as the recoverable amounts of intangible asset determined by management is higher than their carrying values.

Further, no intangible asset have been pledged as security for liabilities.

13. INVESTMENT PROPERTIES

The Company's investment properties pertain to building and office/commercial units held for lease and a parcel of land held for capital appreciation. Rental income recognized for the years ended December 31, 2018, 2017 and 2016 amounted to P41.2 million, P24.8 million, and P23.1 million, respectively, and are presented as part of Rental Income in the consolidated statements of comprehensive income. Real estate taxes and depreciation substantially represent direct costs incurred related to these properties. Since all recorded investment properties earned rental income during the year, there were no direct operating expenses pertaining to investment properties not generating rental income. Real estate tax amounting to P1.4 million in 2018, and P1.3 million in 2017 was recognized as a related expense in those years, and was presented as part of Taxes and Licenses in the consolidated statements of comprehensive income.

The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of 2018 and 2017 are shown below.

	Land	Building	Property Held for Lease	Total
December 31, 2018				
Cost	P 1,040,000	P 47,274,140	P 925,460,396	P 973,774,536
Accumulated depreciation	-	(28,128,113)	(218,471,267)	(246,599,380)
Net carrying value	**P 1,040,000**	**P 19,146,027**	**P 706,989,129**	**P 727,175,156**
December 31, 2017				
Cost	P 1,040,000	P 47,274,140	P 288,822,318	P 337,136,458
Accumulated depreciation	-	(26,000,777)	(192,580,055)	(218,580,832)
Net carrying value	P 1,040,000	P 21,273,363	P 96,242,263	P 118,555,626
January 1, 2017				
Cost	P 1,040,000	P 47,274,140	P 288,822,318	P 337,136,458
Accumulated depreciation	-	(23,873,441)	(178,013,769)	(201,887,210)
Net carrying value	P 1,040,000	P 23,400,699	P 110,808,549	P 135,249,248

A reconciliation of the carrying amount of investment properties at the beginning and end of 2018 and 2017 is shown below.

	Land	Building	Property Held for Lease	Total
Balance at January 1, 2018, net of accumulated depreciation	P 1,040,000	P 21,273,363	P 96,242,263	P 118,555,626
Reclassifications	-	-	636,638,078	636,638,078
Depreciation charges for the year	-	(2,127,336)	(25,891,212)	(28,018,548)
Balance at December 31, 2018, net of accumulated depreciation	**P 1,040,000**	**P 19,146,027**	**P 706,989,129**	**P 727,175,156**
Balance at January 1, 2017, net of accumulated depreciation	P 1,040,000	P 23,400,699	P 110,808,549	P 135,249,248
Depreciation charges for the year	-	(2,127,336)	(14,566,286)	(16,693,622)
Balance at December 31, 2017, net of accumulated depreciation	P 1,040,000	P 21,273,363	P 96,242,263	P 118,555,626

In 2018, certain property development costs were reclassified to investment properties as such properties are solely held to earn rentals.

The amount of depreciation on investment properties is presented as part of Depreciation and Amortization account under Costs and Expenses in the consolidated statements of comprehensive income.

Other information relating to fair value measurements and disclosures of investment properties are disclosed in Note 30.4.

14. INTEREST-BEARING LOANS AND BORROWINGS

The details of interest bearing loans and borrowings from local banks are discussed below.

2018	2017	Explanatory Notes	Interest Rate	Security	Maturity
P -	P 400,000,000	*(a)*	Floating rate of 4.5% subject to monthly repricing	Unsecured	2018
800,000,000	-	*(b)*	Floating rate of 4.5% and fixed rate of 7.7%	Unsecured	2021
1,250,000,000	1,583,333,333	*(c)*	Fixed at 5.6% for 1st and 2nd tranches and 7.6% for the 3rd tranche	Unsecured	Up to 2022
6,736,482	18,079,643	*(d)*	Fixed rate of 9.0%	Assignment of receivables	As account matures
P 2,056,736,482	P 2,001,412,976				

Explanatory Notes:

(a) *Philippine Peso, unsecured 58-day loan due on 2018*

In 2017, the Company obtained bridge financing from a local bank. The loan was released in December 2017 and subject to floating rate. The proceeds of the loan were used to fund the development of the Company's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly in arrears. In 2018, the Company paid in full the outstanding loan balance.

(b) *Philippine Peso, unsecured three-year loan due in 2021*

In 2018, the Company obtained an interest bearing three-year loan from a local bank. The loan was released in February 2018 and subject to floating rate of 4.5% and fixed rate of 7.7% in October 2018. The proceeds of the loan were used to fund the development of the Company's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly in arrears

(c) *Philippine Peso, unsecured seven-year loan due in 2022*

In 2015, the Group obtained an interest-bearing seven-year P2.0 billion loan from a local bank. The loan was released in three tranches from 2015 to 2016 and bears fixed interest of 5.6% for the first and second tranches and 7.6% for the third tranche. The proceeds of the loan were used to fund the development of the Group's various real estate projects.

(d) *Philippine Peso, loans through assignment of receivables*

In prior years, the Group obtained loans from local banks by assigning certain trade receivables on a with recourse basis (see Note 6). The loans bear fixed interest rates at 7.0% in 2017 and 9.0% in 2018, respectively, and are being paid as the related receivables are collected. The loans are secured by certain properties presented as part of real estate inventories with total estimated carrying value of P59.3 million and P110.7 million as of December 31, 2018 and 2017, respectively (see Note 7.1). The carrying value of the outstanding loans as of December 31, 2018 and 2017 is assigned by the same amount of receivables.

Certain bank loans require the Group to maintain a debt-to-equity ratio of not more than 1:1 and a current ratio of not less than 2:1. As of December 31, 2018 and 2017, the Group is in compliance with such financial covenant obligations.

Total interest on these interest-bearing loans and borrowings in 2018, 2017 and 2016 amounted to P117.7 million, P89.9 million, and P93.2 million, respectively, and are directly attributable to the construction of the Group's projects; hence, capitalized as part of Real Estate Inventories account in the consolidated statements of financial position (see Note 7.1). Unpaid interest as of December 31, 2018 and 2017 amounted to P8.9 million and P0.5 million, respectively and is presented as Interest payable under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

Interest-bearing loans and borrowings are presented in the statement of financial position as follows:

	2018	2017
Current	**P 637,985,837**	P 751,412,976
Non-current	**1,418,750,645**	1,250,000,000
	P 2,056,736,482	P 2,001,412,976

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2018**	2017
Trade payable		**P 1,662,329,144**	P 1,544,770,744
Taxes payable		**59,975,986**	91,316,247
Accrued expenses	24.4	**38,370,952**	119,809,934
Commissions	14	**13,555,085**	5,759,017
Interest payable	14	**8,931,306**	474,479
Miscellaneous		**2,903,813**	3,018,835
		P 1,786,066,286	P 1,765,149,256

Accrued expenses include the Group's obligations to its suppliers that are expected to be settled within 12 months from the end of the reporting period. These liabilities arise mainly from accrual of construction expenditures incurred during the year.

16. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	2018	2017
Advances from customers	**P 2,557,382,820**	P 2,082,167,510
Other deposits	**714,028,315**	599,280,967
	P 3,271,411,135	P 2,681,448,477

Advances from customers represent cash received from customers for real estate property purchases which have not yet reached the sales recognition threshold of the Group. The advances are deducted from the contract price once the related real estate sales are recognized by the Group.

Other deposits mainly pertain to cash received from customers for miscellaneous fees and other related expenses to process the transfer of title to customers.

17. OTHER CURRENT LIABILITIES

As of December 31, other current liabilities include the following:

	Note	2018	2017 (As Restated – see Note 2.1)
Retention payable		**P 647,078,998**	P 607,281,731
Refund liability	20.2	**84,959,422**	62,226,779
Refundable deposits		**55,423,852**	47,124,631
Miscellaneous		**25,966,162**	24,368,279
		P 813,428,434	P 741,001,420

Retention payable pertains to amounts withheld from payments made to contractors to ensure compliance and completion of contracted projects, which ranges from 5% to 10% of every billing made by the contractor. Upon completion of the contracted projects, submission of required bonds and final acceptance of works, the amounts are returned to contractors.

Refund liability pertains to the amount due to buyers of real estate properties which is the cash surrender value of the payments made by them on the cancelled real estate contracts as required by Republic Act (R.A.) 6552, *Realty Installment Buyer Act*.

18. COST OF REAL ESTATE INVENTORIES

The breakdown of the cost of real estate inventories are as follows (see Note 7):

	2018	2017 (As Restated – see Note 2.1)	2016 (As Restated – see Note 2.1)
Contracted services	**P 1,870,564,914**	P 1,950,339,026	P 2,109,655,704
Land cost	**121,213,234**	182,617,820	320,411,460
Borrowing cost	**45,398,589**	45,423,846	45,815,104
Other costs	**21,052,138**	92,522,793	15,006,134
	P 2,058,228,875	P 2,270,903,485	P 2,490,888,402

19. REVENUES

19.1 Disaggregation of Revenues

The Company derives revenues from sale of real properties and other income. An analysis of the Company's major sources of revenues is presented below:

	Segments		
	2018	2017 (As Restated – see Note 2.1)	2016 (As Restated – see Note 2.1)
Geographical areas			
Within Metro Manila	**P 2,991,954,956**	P 3,275,936,656	P 2,282,581,131
Outside Metro Manila	**520,587,982**	657,449,905	1,680,920,197
	P 3,512,542,938	P 3,933,386,561	P 3,963,501,328
Types of product or services			
Residential condominium	**P 3,331,891,869**	P 3,577,849,667	P 3,286,220,137
Residential lots and house and lots	**180,651,069**	355,536,894	677,281,191
	P 3,512,542,938	P 3,933,386,561	P 3,963,501,328

19.2 Contract Accounts

a. Contract Assets

The Group's contact assets are classified as follows:

	2018	2017 (As Restated – see Note 2.1)
Current	**P 1,437,840,430**	P 367,007,051
Non-current	**1,252,230,362**	2,104,877,255
	P2,690,070,792	P 2,471,884,306

The significant changes in the contract assets balance as of December 31 are as follows:

	2018	2017 (As Restated – see Note 2.1)
Balance at beginning of year	**P2,471,884,306**	P1,982,320,942
Transfers from contract assets recognized at the beginning of year to trade receivables	**(367,007,051)**	(520,482,067)
Increase as a result of changes in measurement of progress	**585,193,537**	1,010,045,431
Balance at end of year	**P2,690,070,792**	P2,471,884,306

b. *Contract Liabilities*

	2018	2017 (As Restated – see Note 2.1)
Current	**P 23,524,123**	P 51,610,315
Non-current	**130,429,296**	181,897,108
	P 153,953,419	P 233,507,423

The significant changes in the contract liabilities balance as of December 31 are as follows:

	2018	2017 (As Restated – see Note 2.1)
Balance at beginning of year	**P 233,507,423**	P 159,345,447
Revenue recognized that was included in contract liability at the beginning of year	**(690,165,902)**	(548,197,362)
Increase due to cash received excluding amount recognized as revenue during the year	**610,611,898**	622,359,338
Balance at end of year	**P 153,953,419**	P 233,507,423

19.3 Direct Contract Costs

The Group incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission presented under Prepayments and Other Current Assets in the consolidated statements of financial position. These are amortized over the expected construction period on the same basis as how the Company measures progress towards complete satisfaction of its performance obligation in its revenue contracts. The total amount of amortization for 2018, 2017 and 2016 is presented as part of Commission under Operating Expenses (see Note 20).

The movement in balances of deferred commission in 2018 and 2017 is presented below.

	2018	2017
Balance at beginning of year	**P 105,254,618**	P 90,177,872
Additional capitalized cost	**82,158,795**	108,914,279
Amortization for the period	**(70,996,467)**	(93,837,533)
Balance at end of year	**P 116,416,946**	P 105,254,618

19.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts as of December 31, 2018 and 2017 is P1.3 billion and P3.0 billion, respectively. As of December 31, 2018, the Company expects to recognize revenue from unsatisfied contracts as follows:

Within a year	P 923,038,265
More than one year to three years	258,252,977
More than three years to five years	75,683,522
	P 1,256,974,764

20. OTHER INCOME AND EXPENSES

20.1 Other Income

The details of this account are shown below.

	Note	2018	2017	2016
Forfeited collections and deposits		**P 257,888,426**	P 207,043,220	P 225,708,078
Marketing and management fees	24.4	**97,166,183**	168,781,665	170,503,780
Tuition and miscellaneous fees		**49,243,425**	44,573,318	46,783,056
Miscellaneous		**12,409,434**	3,852,412	3,305,562
		P 416,707,468	P 424,250,615	P 446,300,476

Forfeited collections and deposits include reservation fees and all payments made by delinquent buyers, net of any loss on cancellations. This also includes portion of payments received by the Group upon approval of buyer's request to transfer to other units.

Miscellaneous fees include registration fees, medical and dental fees, laboratory fees, energy fees, and other fees charged to students upon enrollment.

20.2 Other Expenses

The breakdown of other expenses is shown below.

	Notes	2018	2017 (As Restated – see Note 2.1)	2016 (As Restated – see Note 2.1)
Rentals	24.4, 27.1	**P 156,028,437**	P 228,366,889	P 251,902,195
Association dues		**64,007,504**	42,372,738	28,756,496
Utilities		**26,214,339**	35,690,469	32,175,318
Provision for refund liability	17	**22,732,643**	24,680,738	25,501,716
Security services		**13,440,640**	18,147,080	17,355,405
Repairs and maintenance		**8,677,885**	6,558,596	7,427,998
Documentation		**7,481,843**	1,155,125	8,594,225
Outside services		**5,474,414**	5,575,081	5,245,283
Professional fees	24.4	**5,354,107**	24,044,029	39,892,869
Janitorial services		**4,624,572**	8,825,231	5,953,310
Representation		**4,449,506**	714,027	1,143,838
Insurance		**4,390,547**	9,325,295	4,655,325
Office supplies		**1,562,233**	4,461,909	8,352,182
Marketing events and awards		**488,161**	1,035,515	340,852
Miscellaneous	6	**19,904,619**	18,758,634	22,258,489
		P 344,831,450	P 429,711,356	P 459,555,501

Miscellaneous expenses include impairment loss on receivables, bank charges, donations and contributions, trainings and seminars, motor vehicle registration and others.

21. FINANCE INCOME AND FINANCE COSTS

21.1 Finance Income

The breakdown of this account is shown below.

	Notes	2018	2017 (As Restated – see Note 2.1)	2016 (As Restated – see Note 2.1)
Interest income:				
Advances to related parties	24.1	**P 170,272,035**	P 165,880,061	P 147,430,827
Trade and other receivables	6	**11,591,540**	12,012,411	54,248,875
Cash and cash equivalents	5	**10,176,239**	2,976,037	9,917,831
Tuition fees		**1,164,548**	1,026,911	1,125,104
		193,204,362	181,895,420	212,722,637
Amortization of day-one loss on noninterest-bearing financial instruments	6	**85,521,034**	59,156,858	28,637,271
Dividend income	8	**11,260,000**	-	34,906,000
Foreign currency gains - net		**196,310**	118,980	605,745
		P 290,181,706	P 241,171,258	P 276,871,653

21.2 Finance Costs

The breakdown of Finance costs is shown below.

	Notes	2018	2017 (As Restated – see Note 2.1)	2016 (As Restated – see Note 2.1)
Interest expense on advances from related parties	24.1	**P 248,283,000**	P 193,256,870	P 175,929,149
Day-one loss on non-interest bearing financial instruments		**63,060,762**	85,521,035	59,156,859
Net interest expense on post-employment defined benefit obligation	22.2	**31,651,201**	26,090,295	23,640,846
		P 342,994,963	P 304,868,200	P 258,726,854

22. SALARIES AND EMPLOYEE BENEFITS

22.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Note	2018	2017	2016
Short-term benefits		**P 386,038,599**	P 368,962,676	P 364,254,168
Post-employment benefits	22.2	**70,789,605**	65,768,335	63,713,841
		P 456,828,204	P 434,731,011	P 427,968,009

22.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Group maintains a partially-funded, tax qualified, non-contributory, post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The post-employment defined benefit plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The post-employment defined benefit plan provides for retirement ranging from 60% to 200% of final monthly salary for every year of credited service, but shall not be less than the regulatory benefit under the R.A. 7641, *The Retirement Pay Law*, or the applicable retirement law at the time of the member's retirement.

(b) Explanation of the Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made regularly to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the latest actuarial valuation reports obtained from an independent actuaries.

The amounts of post-employment DBO recognized in the consolidated statements of financial position are determined as follow:

	2018	2017
Present value of the obligation	**P 387,550,743**	P 623,131,227
Fair value of the assets	**(82,267,116)**	(52,846,968)
	P 305,283,627	P 570,284,259

The movements in the present value of the post-employment DBO recognized in the books are as follows:

	2018	2017
Balance at beginning of year	**P 623,131,227**	P 579,336,959
Current service cost	**70,789,605**	65,768,335
Interest expense	**35,518,479**	28,629,322
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**(248,657,353)**	(70,875,767)
Changes in demographic assumptions	**(107,979,278)**	-
Experience adjustments	**20,738,313**	22,066,078
Benefits paid	**(5,990,250)**	(1,793,700)
Balance at end of year	**P 387,550,743**	P 623,131,227

The movements in the fair value of plan assets are presented below.

	2018	2017
Balance at beginning of year	**P 52,846,968**	P 50,822,064
Interest income	**3,867,278**	2,539,027
Loss on plan assets (excluding amounts included in net interest)	**(1,456,880)**	(1,720,423)
Actual contribution	**33,000,000**	3,000,000
Benefits paid	**(5,990,250)**	(1,793,700)
Balance at end of year	**P 82,267,116**	P 52,846,968

The Group's plan assets only consist of cash and cash equivalents as of December 31, 2018 and 2017 and do not comprise any of the Group's financial instruments or any of its assets occupied and/or used in its operations.

The plan assets earned a return of P2,410,398 and P818,604 in 2018 and 2017, respectively.

The components of amounts recognized in the consolidated statements of comprehensive income in respect of the post-employment defined benefit plan is as follows:

	Notes	2018	2017	2016
Reported in profit or loss:				
Current service cost	22.2	**P 70,789,605**	P 65,768,335	P 63,713,841
Net interest expense	21.2	**31,651,201**	26,090,295	23,640,846
		P 102,440,806	P 91,858,630	P 87,354,687
Reported in other comprehensive income (loss):				
Actuarial gains (losses) arising from:				
- changes in financial assumptions		**P 248,657,353**	P 70,875,767	P 4,630,870
- demographic assumption		**107,979,278**	(22,066,078)	(483,838)
- experience adjustments		**(20,738,313)**	-	-
Loss on plan assets (excluding amounts included in net interest)		**(1,456,880)**	(1,720,423)	(750,110)
		P 334,441,438	P 47,089,266	P 3,396,922

Current service cost is presented as part of Salaries and Employee Benefits under Costs and Expenses section in the consolidated statements of comprehensive income (see Note 22.1) while the amounts of net interest expense is included under Finance Costs under Costs and Expenses section in the consolidated statements of comprehensive income (see Note 21.2).

The amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2018	2017	2016
Company:			
Discount rates	**7.53%**	5.70%	4.89%
Expected rate of salary increases	**7.00%**	10.00%	10.00%
EPHI:			
Discount rates	**7.45%**	5.70%	5.38%
Expected rate of salary increases	**7.51%**	8.43%	7.16%
LBASSI:			
Discount rate	**7.51%**	5.70%	5.16%
Expected rate of salary increases	**5.00%**	5.00%	5.00%

The other subsidiaries currently do not have employees and their accounting and other administrative functions are being handled by the Company; hence, there was no cost of retirement benefits recognized.

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 and 65 for both males and females are shown below.

	Retirement Age	Average Remaining Working Life
Company	60	27.4
LBASSI	60	30
EPHI	65	20

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) Interest Risks

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation.

(ii) Longevity and Salary Risks

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial a ssumptions used in the determination of the DBO as of December 31:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2018			
Company			
Discount rate	**+9.70%/-11.40%**	**(P 31,541,948)**	**P 37,039,191**
Salary increase rate	**+11.40/-9.90%**	**36,864,432**	**(31,962,061)**

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2018			
EPHI			
Discount rate	**+/-0.50%**	**(P 2,681,727)**	**P 4,416,365**
Salary increase rate	**+/-1.00%**	**5,937,818**	**(9,542,089)**
LBASSI			
Discount rate	**+/-1.00%**	**(660,178)**	**786,030**
Salary increase rate	**+/-1.00%**	**798,276**	**(680,562)**
2017			
Company			
Discount rate	+/-1.00%	(P 79,415,775)	P 98,441,605
Salary increase rate	+/-1.00%	87,520,389	(72,994,098)
EPHI			
Discount rate	+/-0.50%	(4,416,365)	4,858,293
Salary increase rate	+/-1.00%	9,542,089	(8,095,359)
LBASSI			
Discount rate	+/-1.00%	(805,884)	979,159
Salary increase rate	+/-1.00%	908,882	(766,560)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the DBO as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the DBO recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(i) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in cash and cash equivalents with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

There has been no change in the Group's strategies to manage its risks from previous periods.

(ii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P305.3 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire.

The company expect to make contribution of at least P30.0 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan for the next 20 years follows:

	2018	2017
Within one year	**P 13,949,452**	P 12,312,601
More than one year to five years	**174,820,077**	129,020,882
More than five years to ten years	**148,477,732**	194,724,011
More than ten years to 15 years	**29,619,476**	44,780,214
More than 15 years to 20 years	**62,276,756**	89,652,710
More than 20 years	**450,176,566**	-
	P 879,320,059	P 470,490,418

The weighted average duration of the DBO at the end of the reporting period is 14.5 to 20 years.

23. TAXES

23.1 Registration with the Board of Investments (BOI)

On April 11, 2014, the BOI approved the Company's application for registration as a New Developer of Low Cost Mass Housing Project on a Non-pioneer Status relative to its various units of Kasara Urban Resort Residences (Tower 1 and Tower 2) project. Under the registration, the applicable rights and privileges provided in the Omnibus Investment Code of 1987 shall equally apply and benefit the Company with certain incentives including income tax holiday (ITH) for a period of three years from the date of registration.

On April 10, 2017, the registration with the BOI expired. However, the Company is in the process of renewing its registration with the BOI as of the date the financial statements were authorized for issue by the BOD. The Company is not expected to obtain the renewal from the BOI before filing the 2018 annual income tax return with the BIR. Consequently, only the income earned for the taxable period January 1, 2017 to April 10, 2017 was considered as an incentive under ITH in determining the taxable income.

23.2 Current and Deferred Taxes

The components of tax expense reported in the consolidated statements of comprehensive income for the years ended December 31 are as follows:

	2018	2017 (As Restated – see Note 2.1)	2016 (As Restated – see Note 2.1)
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 110,219,020**	P 200,123,871	P 110,430,527
Final tax at 20%, 15% and 7.5%	**2,009,804**	573,923	1,931,855
Balance brought forward	**P 112,228,824**	P 200,697,794	P 112,362,382

	2018	2017 (As Restated – see Note 2.1)	2016 (As Restated – see Note 2.1)
Balance carried forward	**P 112,228,824**	P 200,697,794	P 112,362,382
Deferred tax expense relating to origination and reversal of temporary differences	**122,070,099**	83,059,383	131,299,920
	P 234,298,923	P 283,757,177	P 243,662,302
Reported in other comprehensive income (loss) – Deferred tax expense relating to origination and reversal of temporary differences	**P 99,951,148**	P 13,842,265	P 1,019,077

LBASSI, as an educational institution, is subject to 10% tax rate on its taxable income as defined under the tax regulations of the National Internal Revenue Code Section 27(B).

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense as reported in the profit or loss section of the consolidated statements of comprehensive income is as follows:

	2018	2017 (As Restated – see Note 2.1)	2016 (As Restated – see Note 2.1)
Tax on pretax profit at 30% and 10%	**P 233,272,351**	P 255,842,368	P 228,392,958
Adjustment for income subjected to lower income tax rates	**(959,654)**	(250,980)	(921,063)
Taxeffects of:			
Nondeductible taxes and licenses	**12,027,047**	5,528,805	15,400,427
Nontaxable income	**(3,396,387)**	-	(10,473,975)
Nondeductible interest expense	**977,826**	265,263	936,743
Unrecognized deferred tax assets	**188,329**	261,141	329,437
Nondeductible expenses	**105,397**	65,517	-
Income subject to ITH-ERO	**-**	(20,547,117)	(18,888,058)
Others - net	**(7,915,984)**	42,592,180	28,885,833
	P 234,298,923	P 283,757,177	P 243,662,302

The net deferred tax liabilities as of December 31 relate to the following:

	Consolidated Statements of Financial Position		Consolidated Statements of Comprehensive Income		
	2018	2017 (As Restated – see Note 2.1)	2018	2017 (As Restated – see Note 2.1)	2016 (As Restated – see Note 2.1)
Deferred tax assets:					
Retirement benefit obligation	**P 89,820,990**	P 169,239,771	**(P 20,532,367)**	(P 26,378,824)	(P 15,414,546)
Provision for refund liability	**25,487,827**	18,668,034	**(6,819,793)**	(7,404,222)	7,409,032
Net operating loss carry over (NOLCO)	**1,530,631**	-	**(1,530,631)**	-	-
Accrued rent	**-**	812,255	**812,253**	(286,899)	(706,559)
Minimum corporate income tax (MCIT)	**775,769**	-	**(775,769)**	-	(785,647)
Unamortized past service cost	**39,279**	116,833	**77,553**	77,553	3,069,615
	117,654,496	188,836,893	**(28,768,754)**	(33,992,392)	(6,428,105)
Deferred tax liabilities:					
Uncollected realized gross profit	**(1,804,499,610)**	(1,724,074,105)	**80,425,506**	151,700,167	165,923,087
Capitalized borrowing cost	**(218,248,981)**	(151,207,532)	**67,041,449**	(39,025,387)	(19,461,330)
Deferred commission	**(34,925,084)**	(31,576,386)	**3,348,698**	4,523,024	(7,650,515)
Unrealized foreign exchange gains - net	**(58,894)**	(35,694)	**23,200**	(146,029)	(1,083,217)
	(2,057,732,569)	(1,906,893,717)	**150,838,853**	117,051,775	137,728,025
Net Deferred Tax Expense			**P 122,070,099**	P 83,059,383	P 131,299,920
Net Deferred Tax Liabilities - net	**(P 1,940,078,073)**	(P 1,718,056,824)			

The deferred taxes presented in Other Comprehensive Income section in the consolidated statements of comprehensive income pertains to the tax effect of remeasurements of retirement benefit obligation.

The Group is subject to the MCIT which is computed at 2% of gross income as defined under the tax regulations, or RCIT, whichever is higher.

The details of net operating loss carry over (NOLCO) incurred by certain subsidiaries, which can be claimed as deduction from their respective future taxable income within three years from the year the loss was incurred, are shown below.

Subsidiaries	Year Incurred	Amount	Valid Until
PCMI	2018	P 13,242,786	2021
	2017	9,591,760	2020
	2016	6,424,457	2019
EPHI	2018	5,102,103	2021
EECI	2018	304,035	2021
	2017	147,986	2020
	2016	144,624	2019
SPLI	2018	164,342	2021
	2017	175,174	2020
	2016	172,118	2019
SOHI	2018	153,939	2021
	2017	149,301	2020
	2016	145,407	2019
VVPI	2018	155,588	2021
	2017	151,360	2020
	2016	147,803	2019
20^{th} Century	2018	209,061	2021
	2017	178,249	2020
	2016	235,000	2029

PCMI, EECI, SPLI, SOHI, VVPI and 20^{th} did not recognize deferred tax assets on their respective NOLCO as management believes that the related deferred tax assets may not be recovered within the prescriptive period. The amount of NOLCO for the year ended 2018 for which the related deferred tax asset has not been recognized amounted to a total of P19.3 million with a total tax effect of P5.8 million.

The aggregated amounts of assets, deficit, revenues and net loss of the subsidiaries which incurred NOLCO are as follows:

	Assets	Deficit	Revenues	Net Loss
2018				
PCMI	P 2,429,036,789	P 89,411,171	P -	P 13,242,786
EPHI	2,191,576,274	-	112,516,507	-
EECI	25,205,038	207,968,899	204	655,195
SPLI	511,991,748	10,170,476	-	164,342
SOHI	16,806,330	8,780,493	-	153,939
VVPI	90,944,264	4,015,412	-	155,588
20th Century	1,294,653	60,864,551	-	209,061
	P 5,266,855,096	**P 381,211,002**	**P 112,516,711**	**P 14,580,911**
2017				
EECI	P 25,246,304	P 207,313,704	P 236	P 147,797
SPLI	511,958,580	10,006,134	-	175,174
SOHI	16,747,745	8,626,554	-	149,301
VVPI	90,936,329	3,859,824	-	151,360
20th Century	1,267,065	60,655,490	-	178,249
	P 646,156,023	P 290,461,706	P 236	P 801,881

In 2018, 2017 and 2016, the Group opted to claim itemized deductions in computing for its income tax due.

24. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company, parent company, associates, related parties under common ownership, key management personnel, and the Group's retirement plan as described below.

The summary of the Group's significant transactions and outstanding balances with its related parties are follows:

Related Party Category	Notes	Amount of Transactions 2018	Amount of Transactions 2017	Amount of Transactions 2016	Outstanding Balance 2018	Outstanding Balance 2017
Ultimate Parent:						
AFS financial assets	8	**(P 461,660,000)**	P 362,572,000	(P 373,832,000)	**P1,339,940,000**	P1,801,600,000
Dividend income	8, 21.1	**11,260,000**	-	34,906,000	**-**	-
Parent:						
Availment of advances	24.1, 24.5	**(1,206,232,131)**	(181,621,801)	(180,005,353)	**(3,682,164,205)**	(2,475,932,074)
Rendering of services	24.2	**161,473,041**	166,899,128	177,122,386	**649,551,070**	623,047,999
Associates –						
Availment of advances	24.1	**256,255,249**	19,762,003	526,548	**(396,129,945)**	(652,385,194)
Under common ownership:						
Availment of advances	24.1	**50,000,000**	(504,000,000)	-	**(499,808,729)**	(549,808,729)
Granting of advances	24.1	**424,850,002**	191,098,512	164,453,580	**2,927,206,315**	2,502,356,313
Rendering of services	24.2	**71,434,364**	129,799,869	135,720,045	**181,940,002**	216,162,495
Obtaining of services	24.4	**(62,014)**	(33,796,311)	(48,301,904)	**-**	(38,800,346)
Sale of land	24.3	**-**	-	-	**40,643,067**	40,643,067
Key management personnel –						
Compensation	24.6	**67,849,168**	56,395,455	48,103,875	**-**	-

Unless otherwise stated, the Group's outstanding receivables from and payables to related parties arising from interest-bearing loans, joint venture agreements, lease of property and cash advances to related party are unsecured, collectible or payable on demand, and are generally settled in cash or through offsetting arrangements with the related parties.

There were no impairment losses recognized on the outstanding receivables from related parties in 2018, 2017 and 2016 based on management's ECL assessment.

24.1 Advances to and from Related Parties

The Group grants to and obtains unsecured advances from its parent company, stockholders, associates and other related parties for working capital purposes.

The Advances to Related Parties account represents the outstanding balances arising from cash advances granted by the Group to certain related parties under common ownership. The change in the Advances to Related Parties account are shown below.

	Note	**2018**	2017
Balance at beginning of year		**P 2,502,356,313**	P 2,311,257,801
Interest income	21.1	**170,272,035**	165,880,061
Additional advances		**254,577,967**	25,218,451
Balance at end of year		**P 2,927,206,315**	P 2,502,356,313

The Advances from Related Parties account represents the outstanding balances arising from cash advances obtained by the Company from its parent company, associates and certain related parties under common ownership. The details as at December 31 are as follow:

	2018	2017
Parent	**P 3,682,164,205**	P 2,475,932,074
Associates	**396,129,945**	652,385,194
Other related parties	**499,808,729**	549,808,729
	P 4,578,102,879	P 3,678,125,997

The movement in the Advances from Related Parties account are shown below.

	Notes	**2018**	2017
Balance at beginning of year		**P 3,678,125,997**	P 3,012,266,199
Additions		**965,658,750**	505,494,378
Interest expense	21.2	**248,283,000**	193,256,870
Elimination of PCMI advances	10	**(239,146,146)**	-
Repayments		**(82,991,682)**	(32,891,450)
Additional advances due to consolidation of PCMI	10	**8,172,960**	-
Balance at end of year		**P 4,578,102,879**	P 3,678,125,997

These advances to/from stockholders, associate and other related parties are generally collectible/payable in cash on demand or trough-offsetting arrangements with the related parties (see Note 29.2). Cash advances from parent company bears fixed interest rate ranging between 7% and 12% per annum in 2018, 2017 and 2016. Interest expense is presented as part of Finance Costs in the consolidated statements of comprehensive income.

In 2017, the Group obtained advances amounting to P504.0 million from a related party under common ownership for working capital purposes.

24.2 Rendering of Services

The summary of services offered by the Group is presented below.

	Amount of Transactions		
	2018	2017	2016
Management services	**P 71,434,364**	P 129,799,869	P 135,720,045
Commission income	**112,516,507**	119,381,451	126,759,525
Lease of property	**48,956,534**	47,517,677	50,362,861
	P 232,907,405	P 296,698,997	P 312,842,431

In 2016, the Group handled the administrative functions of certain related parties under common ownership for the latter's ongoing construction and development activities. The amount of revenue earned from such transaction is recorded as part of Marketing and management fees under Other Income in the 2018, 2017 and 2016 consolidated statements of comprehensive income (see Note 20.1) while the outstanding balances are presented as Management fee receivable under Trade and Other Receivables account in the 2018 and 2017 consolidated statements of financial position (see Note 6).

The Group earns marketing fees from the sale of Megaworld's real estate properties. The marketing fee recognized is presented as Commissions under Revenues and Income section in the consolidated statements of comprehensive income. The outstanding receivables related to these transactions are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Company leases certain investment property to its parent company. The revenues earned from the lease are included as part of Rental Income under Revenues and Income section in the consolidated statements of comprehensive income. The related outstanding receivables from these transactions are presented as part of Rent receivable under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

24.3 Sale of Land

In prior years, the Group sold, on account, to a related party under common ownership, a parcel of land which was used as site of the related party's project. The outstanding receivable, which pertains to the remaining unpaid interest, from this sale is presented as part of Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

24.4 Obtaining of Services

The summary of services obtained by the Group is presented below.

	Amount of Transactions		
	2018	2017	2016
Management fee	**P -**	P 17,907,218	P 31,689,881
Lease of showroom and parking space	**62,014**	15,889,093	16,612,023
	P 62,014	P 33,796,311	P 48,301,904

In 2016, the Group incurred management fees for accounting and marketing services obtained from related parties under common ownership, and is presented as part of Professional fee under Other Expenses in the consolidated statements of comprehensive income (see Note 20.2). The related payable is shown as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

The Group's showroom and parking space is being leased from its related parties under common ownership. The related rental expenses are shown as part of Rentals under Other Expenses in the consolidated statements of comprehensive income (see Note 20.2).

24.5 Joint Development Agreement with Parent Company

The Company, together with Megaworld, executed a joint development agreement for the development of a mixed-use condominium project; whereby the Company shall contribute land and the parent company shall develop and sell the property. The entities shall be entitled to a certain percentage of the total saleable area based on the agreed sharing. The land contributed to the joint venture is presented as part of the Real Estate Inventories under Property development cost in the statements of financial position (see Note 7). As of the end of the reporting periods, the property is still being developed and there are no profits received yet from this agreement.

24.6 Key Management Personnel Compensation

The compensation of the Group's key management personnel are as follows:

	2018	2017	2016
Short-term benefits	**P 41,286,364**	P 37,312,790	P 34,395,718
Post-employment benefits	**26,012,804**	19,082,665	13,708,157
	P 67,299,168	P 56,395,455	P 48,103,875

These are presented as part of Salaries and Employee Benefits under Cost and Expenses section in the consolidated statements of comprehensive income for the years ended December 31, 2018, 2017 and 2016 (see Note 22.1).

24.7 Retirement Plan

The Group's retirement fund for its post-employment defined benefit plan is administered and managed by a trustee bank. The plan assets consist only of cash and cash equivalents amounting to P82.3 million and P52.8 million as of December 31, 2018 and 2017, respectively (see Note 22.2).

The retirement fund neither provides any guarantees or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

The details of the contributions of the Group and benefits paid out by the plan are presented in Note 22.2.

25. EQUITY

25.1 Capital Stock

Capital stock as of December 31, 2018 and 2017 consists of:

	Shares	Amount
Common shares – P1 par value		
Authorized	31,495,200,000	P31,495,200,000
Issued	14,803,455,238	P14,803,455,238
Treasury shares – at cost	(127,256,071)	(102,106,658)
Total outstanding	14,676,199,167	P14,701,348,580
Preferred shares – P1 par value		
Authorized	2,000,000,000	P 2,000,000,000

Megaworld has 81.72% ownership interest in the Company as of December 31, 2018 and 2017.

The Series B preferred shares are nonredeemable, convertible into common shares and are nonvoting. The shares have zero coupon rate and shall not be entitled to dividends. The Series B preferred shares shall be convertible to common shares anytime after the end of the 18 months from the implementation date, May 29, 1998, as defined in the subscription agreements.

On April 24, 1996, the SEC approved the listing of the Company's shares totalling 425,000,000. The shares were issued at an offer price of P12.90 per share. As of December 31, 2018, 2017 and 2016, there are 12,499, 12,499 and 12,591 holders of the listed shares, respectively. The shares were listed and closed at a price of P0.49, P0.65 and P0.69 per share as of December 28, 2018, December 29, 2017 and December 28, 2016 respectively.

25.2 Treasury Stock

On March 23, 2006, the Company's BOD authorized the buy-back of up to P1.0 billion worth of Company's shares of common stock within a 24-month period under certain terms and conditions as the Company's senior management may deem beneficial to the Company and its stockholders.

As of December 31, 2018 and 2017, the Company's treasury shares amounted to P102.1 million, representing the cost of 127,256,071 shares reacquired by the Company.

25.3 Revaluation Reserves

Revaluation reserves of the Group is composed of remeasurements on its retirement benefit obligation and fair value movements of the Group's financial assets at FVOCI (see Notes 8 and 22.2).

25.4 Retained Earnings

Retained earnings is restricted in the amount of P102.1 million representing the cost of 127,256,071 shares held in treasury as of the end of the reporting periods.

26. EARNINGS PER SHARE

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

	2018	2017 (As Restated – see Note 2.1)	2016 (As Restated – see Note 2.1)
Net profit attributable to parent company's shareholders	**P 534,218,365**	P 569,029,689	P 520,418,181
number of issued and outstanding common shares	**14,676,199,167**	14,676,199,167	14,676,199,167
Basic and diluted earnings per share	**P 0.036**	P 0.039	P 0.035

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

27.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under various non-cancellable operating lease agreements covering real estate properties for commercial use. The leases have terms ranging from one to three years, with renewal options, and include annual escalation rates of 3% to 10%. The average annual rental covering these agreements amounts to about P111.1 million, P146.4 million and P105.3 million in 2018, 2017, 2016, respectively, in which are recognized as Rental Income account under Revenues and Income section in the consolidated statements of comprehensive income.

The future minimum rental receivable under these non-cancellable operating leases are as follows as of December 31:

	2018	2017	2016
Within one year	**P 43,300,784**	P 74,454,775	P 77,057,328
After one year but not more than five years	**97,335,775**	185,623,464	114,134,834
More than five years	**47,718,733**	87,042,341	53,729,333
	P 188,355,292	P 347,120,580	P 244,921,495

27.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under non-cancellable operating leases covering certain offices, showroom and parking slots. The leases have terms ranging from one to four years, with renewal options and include annual escalation rate of 5% to 10%. The future minimum rental payable under these non-cancellable operating leases are as follows as of December 31:

	2018	2017	2016
Within one year	**P 61,017,245**	P 80,753,199	P 52,404,114
After one year but not more than five years	**179,860,730**	277,659,269	68,054,109
	P 240,877,975	P 358,412,468	P 120,458,223

Total rentals from these operating leases which was charged to Rentals under Other Expenses account in the consolidated statements of comprehensive income amounted to P156.0 million, P228.4, and P251.9 million in 2018, 2017 and 2016, respectively (see Note 20.2).

27.3 Legal Claims

As of December 31, 2018 and 2017, the Group does not have any litigations within and outside the normal course of its business.

27.4 Credit Lines

The Group has existing credit lines with local banks for a maximum amount of P4,420.0 million and P4,470.0 million as of December 31, 2018 and 2017, respectively. The Group has unused lines of credit amounting to P720.0 million and P1,070.0 million as of December 31, 2018 and 2017, respectively.

27.5 Capital Commitments

As of December 31, 2018 and 2017, the Group has fully utilized the balance of its stock rights offering; hence, no capital commitments pertaining to landbanking, project development and general corporate purposes were outstanding as of the end of the period.

27.6 Others

There are other commitments and contingent liabilities that may arise in the normal course of operations of the Group which are not reflected in the consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements, taken as a whole.

28. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating, investing, and financing activities. Risk management is carried out by a central treasury department under policies approved by the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

28.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, and interest rate risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Foreign exchange risk arises from the Group's United States (U.S.) dollar-denominated cash and cash equivalents (see Note 5).

The Group's U.S. dollar-denominated financial assets, translated into Philippine pesos at the closing rate, amounted to P30.2 million, P21.5 million, and P3.2 million as of December 31, 2018, 2017 and 2016, respectively. There were no U.S. dollar-denominated financial liabilities as of December 31, 2018, 2017 and 2016.

At December 31, 2018, 2017 and 2016, if the Philippine peso had strengthened by 11.10%, 10.77%, and 12.91% against the U.S. dollar with all other variables held constant, profit before tax for the year would have been lower by P3.4 million, P2.3 million and P0.4 million, respectively, mainly as a result of foreign currency loss on translation of U.S. dollar-denominated cash and cash equivalents.

On the other hand, if the peso had weakened by the same percentage, with all other variables held constant, profit before tax would have been higher by the same amount in each of those years.

The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99.00% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of each reporting period.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Group's interest rate risk largely arises from cash and cash equivalents and interest-bearing loans and borrowings, which are subject to variable interest rates. All other financial assets and liabilities have fixed rates.

The following table presents the sensitivity of the Group's profit before tax for the year to a reasonably possible change in interest rate of +/-1.06%, +/-0.96%, and +/-0.60% for cash and cash equivalents and +/-0.56%, +/-1.68%, and +/-1.33% for interest-bearing loans and borrowings in 2018, 2017 and 2016, respectively. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on changes in the average market interest rates for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	2018		2017		2016	
	+1.06/0.56	**-1.06/0.56**	+0.96/1.68	-0.96/1.68	+0.60/1.33	-0.60/1.33
Profit before tax	**(P 27,733,696)**	**P27,733,696**	(P20,644,084)	P20,644,084	(P20,740,796)	P20,740,796

The movements in interest rates used in the sensitivity analysis are considered reasonably possible and are based on observation of interest rate fluctuations for the past 12 months using a 99.00%-confidence level. The calculations are based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year.

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value (classified as financial assets at FVOCI). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, an average volatility of 26.90% and 19.14% has been observed during 2018 and 2017, respectively. If quoted price for these securities increased or decreased by that percentage, the equity would have increased or decreased by P360.4 million in 2018 and P344.8 million in 2017.

The investments in quoted equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is not subject to commodity price risk.

28.2 Credit Risk

The maximum credit risk exposure of the Company is the carrying amount of the financial assets and contract assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized in the succeeding page.

	Notes	2018	2017 (As Restated – see Note 2.1)
Cash and cash equivalents	5	**P 1,816,898,287**	P 1,280,896,149
Trade and other receivables - net (excluding advances to suppliers and contractors, advances to condominium associations and others)	6	**4,404,863,288**	4,406,678,534
Contract assets	19.2	**2,690,070,792**	2,471,884,306
Advances to related parties	24.1	**2,927,206,315**	2,502,356,313
		P 11,839,038,682	P10,661,815,302

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents, and trade receivables, as described below and in the succeeding page.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables and Contract Assets

Credit risk of receivables from sale of real estate properties is managed primarily through credit reviews and analyses of receivables on a regular basis. The Group undertakes credit review procedures for all installment payment terms. Customer payments are facilitated through the use of post-dated checks. Exposure to doubtful accounts is not substantial as title to real estate properties are not transferred to the buyers until full payment of the amortization has been made and the requirement for remedial procedures is negligible considering the Group's buyers' profile.

The Group has used the simplified approach in measuring ECL and has calculated ECL based on lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking information specific to the buyers and the economic environment.

The Group considers trade receivables in default when contractual payment are 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 90 days and beyond. Furthermore, 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.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rate based on days past due of all customers as they have similar loss patterns. The credit enhancements such advance payment and value of the real estate for sale are considered in the calculation of impairment as recoveries.

The management determined that there is no required ECL to be recognized since the real estate sold is collateralized to the related receivable arising from sale. Therefore, expected loss given default is nil as the recoverable amount from subsequent resale of the real estate is sufficient.

Other components of receivables such as rental receivables are also evaluated by the Group for impairment and assessed the no ECL should be provided. Rental receivables are secured to the extent of advance rental and rental deposit received from the lessees, which are in average equivalent to six months. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Some of the unimpaired trade receivables are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	2018	2017 (As Restated – see Note 2.1)
Not more than three months	**P 91,737,267**	P 40,357,656
More than three months but not more than six months	**165,370,461**	139,584,518
More than six months but not more than one year	**180,162,027**	134,262,455
More than one year	**59,687,465**	55,197,359
	P 496,957,220	P 369,401,988

(c) Advances to Related Parties and Rent receivable and Management Fee receivable (from related parties)

ECL for advances to related parties, including rent and management fee receivables, are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

The Group does not consider any significant risks in the advances to related parties since Megaworld and other related parties, whose credit risks for liquid funds are considered negligible, have committed to financially support these related parties as part of AGI's long-term corporate strategy. As of December 31, 2018 and 2017, impairment allowance is not material.

The Group is not exposed to significant credit risk as advances are made to reputable entities.

The table below shows the credit quality by class of financial assets and contract assets as of December 31, 2018.

	Neither Past Due nor Specifically Impaired			Past Due or Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Cash and cash equivalents	P 1,816,898,287	P -	P -	P -	P 1,816,898,287
Trade and other receivables	-	3,907,906,068	-	496,957,220	4,404,863,288
Contract assets	-	2,690,070,792		-	2,690,070,792
Advances to related parties	-	2,927,206,315	-	-	2,927,206,315
	P 1,816,898,287	**P 9,525,183,175**	**P -**	**P 496,957,220**	**P 11,839,038,682**

This compares with the credit quality by class of financial assets as of December 31, 2017 (As Restated – see Note 2.1).

	Neither Past Due nor Specifically Impaired			Past Due or Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Cash and cash equivalents	P 1,280,896,149	P -	P -	P -	P 1,280,896,149
Trade and other receivables	-	4,037,276,546	-	369,401,988	4,406,678,534
Contract assets	-	2,471,884,306	-	-	2,471,884,306
Advances to related parties	-	2,502,356,313	-	-	2,502,356,313
	P 1,280,896,149	P 9,011,517,165	P -	P 369,401,988	P 10,661,815,302

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates are of good credit quality, including those that are past due.

28.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for 6-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2018, the Group's financial liabilities have contractual maturities which are presented below.

	Within One Year	One to Five Years
Interest-bearing loans and borrowings	P 791,836,059	P 1,477,853,425
Trade and other payables	1,735,390,814	-
Advances from related parties	4,578,102,879	-
Other current liabilities	702,502,850	-
	P 7,807,832,602	**P 1,477,853,425**

This compares to the contractual maturities of the Group's financial liabilities as of December 31, 2017.

	One to Five Years	More than Five Years
Interest-bearing loans and borrowings	P 825,782,792	P 1,369,268,000
Trade and other payables	1,673,833,009	-
Advances from related parties	3,678,125,997	-
Other current liabilities	654,406,362	-
	P 6,823,148,160	P 1,369,268,000

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of each reporting period.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

29.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2018		2017 (As Restated – see Note 2.1)	
	Notes	**Carrying Amounts**	**Fair Values**	Carrying Amounts	Fair Values
Financial assets					
Financial assets at amortized cost*					
Cash and cash equivalents	5	**P 1,816,898,287**	**P 1,816,898,287**	P 1,280,896,149	P 1,280,896,149
Trade and other receivables - net	6	**4,404,863,288**	**4,404,863,288**	4,406,678,534	4,406,678,534
Advances to related parties	24.1	**2,927,206,315**	**2,927,206,315**	2,502,356,313	2,502,356,313
		9,148,967,890	**9,148,967,890**	8,189,930,996	8,189,930,996
Financial assets at FVOCI**	8	**1,339,940,000**	**1,339,940,000**	1,801,600,000	1,801,600,000
		P 10,488,907,890	**P 10,488,907,890**	P 9,991,530,996	P 9,991,530,996
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings	14	**P 2,056,736,482**	**P 1,979,681,875**	P 2,001,412,976	P 1,964,842,671
Trade and other payables	15	**1,735,390,814**	**1,735,390,814**	1,673,833,009	1,673,833,009
Advances from related parties	24.1	**4,578,102,879**	**4,578,102,879**	3,678,125,997	3,678,125,997
Other current liabilities	17	**702,502,850**	**702,502,850**	654,406,362	654,406,362
		P 9,072,733,025	**P 8,995,678,418**	P 8,007,778,344	P 7,971,208,030

**classified as loans and receivables under PAS 39*
***classified as AFS financial assets under PAS 39*

Management considers that the fair values of the above enumerated financial assets and financial liabilities measured at amortized costs approximate their carrying values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material (except for interest-bearing loans and borrowings).

See Notes 2.4 and 2.10 for the description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 28.

29.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial assets	Financial liabilities set-off		Financial instruments	Collateral received	Net amount
December 31, 2018						
Advances to related parties	**P 2,931,856,335**	**(P 4,650,020)**	**P 2,927,206,315**	**P -**	**P -**	**P 2,927,206,315**
December 31, 2017						
Advances to related parties	P 2,504,676,044	(P 2,319,731)	P 2,502,356,313	P -	P -	P 2,502,,356,313

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		
	Financial liabilities	Financial assets set-off		Financial instruments	Collateral provided	Net amount
December 31, 2018						
Interest-bearing loans and borrowings	P 2,056,736,482	P -	P 2,056,736,482	P -	(P 2,056,736,482)	P -
Advances from related parties	4,578,102,879	-	4,578,102,879	-	(344,139)	4,577,758,740
	P 6,634,839,361	**P -**	**P 6,634,839,361**	**P -**	**(P 2,057,080,621)**	**P** 4,577,758,740
December 31, 2017						
Interest-bearing loans and borrowings	P 2,001,412,976	P -	P 2,001,412,976	P -	(P 2,001,412,976)	P -
Advances from related parties	3,678,125,997	-	3,678,125,997	-	(450,339)	3,677,675,658
	P 5,679,538,973	P -	P 5,679,538,973	P -	(P 2,001,863,315)	P 3,677,675,658

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between the Group and counterparties (i.e., related parties including subsidiaries and associates) allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

30. FAIR VALUE MEASUREMENT AND DISCLOSURES

30.1 Fair Value Hierarchy

In accordance with PFRS 13*, Fair Value Measurement,* the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy are shown in the succeeding page.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

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

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

30.2 Financial Instruments Measured at Fair Value

As of December 31, 2018 and 2017, only the equity securities classified as financial assets at FVOCI in the consolidated statements of financial position is classified as Level 1. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period (see Note 8). There were no other financial assets measured at fair value on these dates. Further, the Group has no financial liabilities measured at fair value as of December 31, 2018 and 2017.

There were no transfers between Levels 1 and 2 in both years.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Notes	Level 1	Level 2	Level 3	Total
2018					
Financial assets					
At amortized cost:					
Cash and cash equivalents	5	P 1,816,898,287	P -	P -	P 1,816,898,287
Trade and other receivables	6	-	-	4,404,863,288	4,404,863,288
Advances to related parties	24.1	-	-	2,927,206,315	2,927,206,315
		P 1,816,898,287	**P -**	**P 7,332,069,603**	**P 9,148,967,890**

	Notes	Level 1	Level 2	Level 3	Total
Financial Liabilities					
At amortized cost:					
Interest-bearing					
loans and borrowings	14	P -	P -	P 1,979,681,875	P 1,979,681,875
Trade and other payables	15	-	-	1,735,390,814	1,735,390,814
Advances from related parties	24.1	-	-	4,578,102,879	4,578,102,879
Other current liabilities	17	-	-	702,502,850	702,502,850
		P -	**P -**	**P 8,995,678,418**	**P 8,995,678,418**

**classified as loans and receivables under PAS 39*
***classified as AFS financial assets under PAS 39*

	Notes	Level 1	Level 2	Level 3	Total
2017 – As Restated					
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 1,280,896,149	P -	P -	P 1,280,896,149
Trade and other receivables	6	-	-	4,406,678,534	4,406,678,534
Advances to related parties	24.1	-	-	2,502,356,313	2,502,356,313
		P 1,280,896,149	P -	P 6,909,034,847	P 8,189,930,996
Financial Liabilities					
At amortized cost:					
Interest-bearing					
loans and borrowings	14	P -	P -	P 1,964,842,671	P 1,964,842,671
Trade and other payables	15	-	-	1,673,833,009	1,673,833,009
Advances from related parties	24.1	-	-	3,678,125,997	3,678,125,997
Other current liabilities	17	-	-	654,406,362	654,406,362
		P -	P -	P 7,971,208,039	P 7,971,208,039

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration or the effect of discounting for those with maturities of more than one year is not material (except for interest-bearing loans and borrowings).

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability. For those with short term duration, the carrying amount approximates the fair value.

30.4 Fair Value Measurement of Non-Financial Assets

The table below shows the Levels within the hierarchy of non-financial assets for which fair value is disclosed as of December 31, 2018 and 2017.

	Level 1	Level 2	Level 3	Total
Investment property:				
Land	P -	P -	P 40,320,000	P 40,320,000
Buildings and office/commercial units	-	-	2,540,513,838	2,540,513,838
	P -	**P -**	**P 2,580,833,838**	**P 2,580,833,838**

The fair value of the Group's investment properties earning rental income was determined through discounted cash flows valuation technique. The Group uses assumption that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

As at December 31, 2018 and 2017, the fair value of the Group's investment properties is classified within Level 3 of the fair value hierarchy. The Group determines the fair value of the investment property through appraisals by independent valuation specialists using market – based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property. On the other hand, if the observable recent prices of the reference properties were not adjusted, the fair value is included in Level 2. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2018 and 2017.

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital components for cost of capital purposes include loans and borrowings, preferred stock, common equity and retained earnings. The Group may issue new shares and may prepay some of its interest-bearing loans. Further, it intends to allocate its earnings and available cash in the acquisition and development of new/existing properties to ensure continuous business activities.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loans and borrowings to total capital. As of December 31, the Group's ratio of interest-bearing loans and borrowings to equity is as follows:

	2018	2017 (As Restated – see Note 2)
Interest-bearing loans and borrowings	**P 2,056,736,482**	P 2,001,412,976
Total equity	**27,695,089,807**	25,836,593,277
Debt-to-equity ratio	**0.07 : 1.00**	0.08 : 1.00

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years (see Note 14).

32. RECONCILLATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below and in the succeeding page is the reconciliation of the Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Interest - bearing Loans and Borrowing (see Note 14)	**Advances from Related Parties** (see Note 24)	**Total**
Balance as of January 1, 2018	P 2,001,412,976	P 3,678,125,997	P 5,679,538,973
Interest charges	-	248,283,000	248,283,000
Cash flows from financing activities:			
Additional borrowings	800,000,000	965,658,750	1,765,658,750
Repayment of borrowings	(744,676,494)	(82,991,682)	(827,668,176)
Balance brought forward	P 2,056,736,482	P 4,809,076,065	P 6,865,812,547

	Interest - bearing Loans and Borrowing (see Note 14)	Advances from Related Parties (see Note 24)	Total
Balance carried forward	P 2,056,736,482	P 4,809,076,065	P 6,865,812,547
Non-cash financing activities:			
Elimination of PCMI advances	-	(239,146,146)	(239,146,146)
Additional advances due to consolidation of PCMI	-	8,172,960	8,172,960
Balance as of December 31, 2018	**P 2,056,736,482**	**P 4,578,102,879**	**P 6,634,839,361**
Balance as of January 1, 2017	P 1,958,549,476	P 3,012,266,199	P 4,970,815,675
Interest charges	-	193,256,870	193,256,870
Cash flows from financing activities:			
Additional borrowings	400,000,000	505,494,378	905,494,378
Repayment of borrowings	(357,136,500)	(32,891,450)	(390,027,950)
Balance as of December 31, 2017	P 2,001,412,976	P 3,678,125,997	P 5,679,538,973

33. EVENT AFTER THE END OF THE REPORTING PERIOD

On February 20, 2019, R.A. 11232, *Revised Corporation Code of the Philippines* (Code), was enacted and signed into law. The R.A. amended certain provisions of the Corporation Code of the Philippines effective March 8, 2019. Among the amendments, the removal of the 50-year limitation to corporate term for stock corporations is deemed to be the most relevant to the Group. The management deemed further that other amendments and new provisions contained in the revised Code are not material to the Group.

P&A
Grant Thornton

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

Punongbayan & Araullo
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The Enterprise Center
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1200 Makati City
Philippines

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The Board of Directors and Stockholders
Empire East Land Holdings, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)
12th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) for the year ended December 31, 2018, on which we have rendered our report dated April 8, 2019. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 7333700, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1363-AR-1 (until Mar. 1, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-37-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2019

Empire East Land Holdings, Inc
List of Supplementary Information
December 31, 2018

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule A - Financial Asset at Fair Value Through Other Comprehensive Income
December 31, 2018

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount in Peso	Equity in earnings (losses) of investee for the period	Other	Distibution of earnings by investee	Other	Number of shares or principal amount of bonds and notes	Amount in Peso	Dividends received from investments not accounted for by the equity method
AFS Financial Assets									
Alliance Global Group, Inc.	112,600,000	P 1,339,940,000						P 1,339,940,000	

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES

Schedule B- Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2018

Name and designation of debtor	Balance at Beginning of period	Additions/Transfer 2018	Deductions: Amounts collected	Deductions: Amounts written off	Ending Balance: Current	Ending Balance: Not current	Balance at end of period
Advances to Officers and Employees:							
Asuncion, Amiel Victor	P 232,250		(P 75,106)		P 157,144		P 157,144
Barrera, Julieta	46,248		(46,248)				
Cabrera, Edna Esperanza	594,073		(594,073)				
Cacho, Evelyn	909,584		(167,236)		742,348		742,348
Chan, Ermanric	410,698		(410,698)				
Edaño, Dennis	521,579		(60,329)		461,250		461,250
Garilao, Leilani	226,162		(75,481)		150,681		150,681
Gregorio, Ricardo		P 772,000	(124,404)		647,596		647,596
Jacobe, Joel Ramon A	300,120		(59,683)		240,437		240,437
Jacobe, Elmer Y.		1,140,000	(200,000)		940,000		940,000
Llaga, Jhoanna Lyndelou	683,216		(222,469)		460,747		460,747
Llena, Jose Arnel	243,651		(226,306)		17,345		17,345
Lopez, Mark Lawrence D.		895,000	(485,290)		409,710		409,710
Libago, Ricky S.	89,413	2,056,000	(1,069,029)		1,076,384		1,076,384
Madridejos, Arminius	728,447		(133,932)		594,515		594,515
Manansala, Kim Camille B.	300,125		(70,919)		229,206		229,206
Ramos, Franemil	137,344		(92,883)		44,461		44,461
Romero, Gemma O.		1,143,000	(727,152)		415,848		415,848
Sioson-Bumatay, Celeste Z.	52,415	1,358,000	(63,164)		1,347,251		1,347,251
	P 5,475,325	P 7,364,000	(P 4,904,402)		P 7,934,923		P 7,934,923

Note: Please refer to Schedule C for Amounts Receivable from Related parties.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2018

Name and Designation of debtor		Balance of beginning period		Balance at the end of period
Eastwood Properties Holdings, Inc.	P	999,006,782	P	864,942,444
Empire East Communities Inc.		232,422,508		232,521,325
Laguna Bel Air Science School, Inc.		27,804,672		29,896,796
Valle Verde Properties, Inc.		63,421,153		63,574,677
Sherman Oak Holdings Inc.		19,594,299		19,796,823
Sonoma Premier Land Inc.		21,814,714		22,017,224
20th Century Properties, Inc.		140,105		450,754
TOTAL	**P**	**1,364,204,233**	**P**	**1,233,200,043**

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
December 31, 2018

Description	Beginning Balance	Additions at Cost	Deduction: Charged to Cost and Expenses	Deduction: Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Goodwill	P 78,326,757	P -				P 78,326,757
Computer software		54,717,213				54,717,213
	P 78,326,757	**P 54,717,213**	**-**	**-**	**-**	**P 133,043,970**

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule E - Long-Term Debt
December 31, 2018

Title of Issue and Type of Obligation	Amount Authorized by Indenture		Amount Shown Under Caption"Current Portion of Long-term Debt" in Related Statement of Financial Position		Amount Shown Under Caption"Long-term Debt" in related Statement of Financial Position	
Loans	**P**	**2,056,736,482**	**P**	**637,985,837**	**P**	**1,418,750,645**

Loans are payable up to 2022 and bears fixed interest of 5.6% for the first and second tranches and 7.6% for the 3rd tranche.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule F - Indebtedness to Related Parties (Other than Affiliates)
December 31, 2018

Name of Related Party	Balance at Beginning of Year		Balance at End of Year	
Megaworld Corporation	P	2,475,932,074	P	3,682,164,205
Gilmore Property Marketing Association		388,856,094		387,956,985
Pacific Coast Megacity Inc		263,529,100		8,172,960
McKester Piknik International Ltd.		504,000,000		454,000,000
Others		45,808,729		45,808,729
TOTAL	**P**	**3,678,125,997**	**P**	**4,578,102,879**

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule H - Capital Stock
December 31, 2018

				Number of Shares Held by		
Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Related Parties	Directors, Officers and Employees	Others
Preferred shares	2,000,000,000	-				
Common shares	31,495,200,000	14,676,199,167 *		11,994,426,438	24,324,913	

** Number of shares issued and outstanding net of 127,256,071 Treasury Shares.*

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Schedule of Relevant Financial Ratios as Required
Under SRC Rule 68, as amended
For the years ended December 31, 2018 and 2017
(Amounts in Philippine Pesos)

	2018	2017	2018	2017
I. Current/liquidity ratios				
a. Current Ratio				
Total Current Assets	P 37,127,677,727	P 31,807,388,160	3.34	3.29
Total Current Liabilities	11,110,560,288	9,675,244,178		
b. Quick Ratio				
(Cash and Cash Equivalents + Trade and Other Receivables)	7,359,930,056	5,897,688,205	0.66	0.61
Total Current Liabilities	11,110,560,288	9,675,244,178		
II. Solvency ratios				
a. Solvency Ratio				
(Earnings Before Interest and Taxes)	1,017,738,443	1,046,322,863	0.07	0.08
Total Liabilities	14,905,101,929	13,395,482,369		
b. Debt-to-Equity Ratio				
Total Liabilities	14,905,101,929	13,395,482,369	0.54	0.52
Total Equity	27,695,089,807	25,836,593,277		
III. Asset-to-equity ratio				
Total Assets	42,600,191,736	39,232,075,646	1.54	1.52
Total Equity	27,695,089,807	25,836,593,277		
IV. Interest Coverage Ratio				
(Earnings Before Interest and Taxes)	1,017,738,443	1,046,322,863	2.78	3.70
Interest Expense	365,952,383	283,135,326		
V. Profitability Ratios				
a. Net Profit Margin				
Net Profit	535,156,520	569,308,816	12%	12%
Revenues	4,443,069,111	4,864,606,855		
b. Return on Equity				
Net profit	535,156,520	569,308,816	2%	2%
Average Equity	26,765,841,542	25,354,029,369		
c. Return on Assets				
Net profit	535,156,520	569,308,816	1%	1%
Average Assets	40,916,133,691	37,985,638,506		

EMPIRE EAST LAND HOLDINGS, INC.
(A Subsidiary of Megaworld Corporation)
12th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2018

Unappropriated Retained Earnings at Beginning of Year	P	5,277,288,232
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax income	(	172,473,512)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		5,104,814,720
Net Profit Realized during the Year		
Net profit per audited financial statements		536,298,666
Non-actual/unrealized income, net of tax		
Deferred tax income	(	24,362,468)
Retained Earnings Restricted for Treasury Shares	(	102,106,658)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**5,514,644,260**

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
Summary of Application of SRO Proceeds
December 31, 2018

	BASED ON IPO PROSPECTUS	BASED ON ACTUAL
SRO Proceeds	**P 2,695,239,834**	**P 2,695,239,834**
Less: SRO related expenses	**5,239,834**	**5,239,834**
Net proceeds	**2,690,000,000**	**2,690,000,000**
Less: Disbursements		
Construction Site Development	**1,800,000,000**	**1,885,000,000**
Pioneer Woodlands	800,000,000	350,000,000
San Lorenzo Place	700,000,000	532,081,376
The Rochester	300,000,000	275,267,709
Kasara	-	140,479,357
Sonoma	-	70,000,000
Little Baguio Terraces	-	314,520,643
South Science Park	-	202,650,915
Landbanking	**890,000,000**	**805,000,000**
Total Disbursements	**2,690,000,000**	**2,690,000,000**
Remaining Balance of Proceeds, as at December 31, 2018		-

Supplementary information on the Summary of Application of SRO Proceeds

The proceeds were subsequently reallocated and transferred to fund the urgent construction of other projects that have exceeded their respective allocations.

Empire East Land Holdings, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standard**	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters**	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters**	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters**	✓		
	Amendments to PFRS 1: Government Loans**	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions**	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation (*effective January 1, 2019)*			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition**	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets**	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets**	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures**	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)			✓
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* (*effective January 1, 2019)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(effective date deferred indefinitely)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation* (*effective January 1, 2019)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance**	✓		
	Amendments to PFRS 12: Investment Entities**	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception**	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases* *(effective January 1, 2019)*			✓
PFRS 17	Insurance Contracts *(effective January 1, 2021)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation**	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets**	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* (*effective January 1, 2019)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants**	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions**	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation**	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements**			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss*			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture* (*effective January 1, 2019*)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

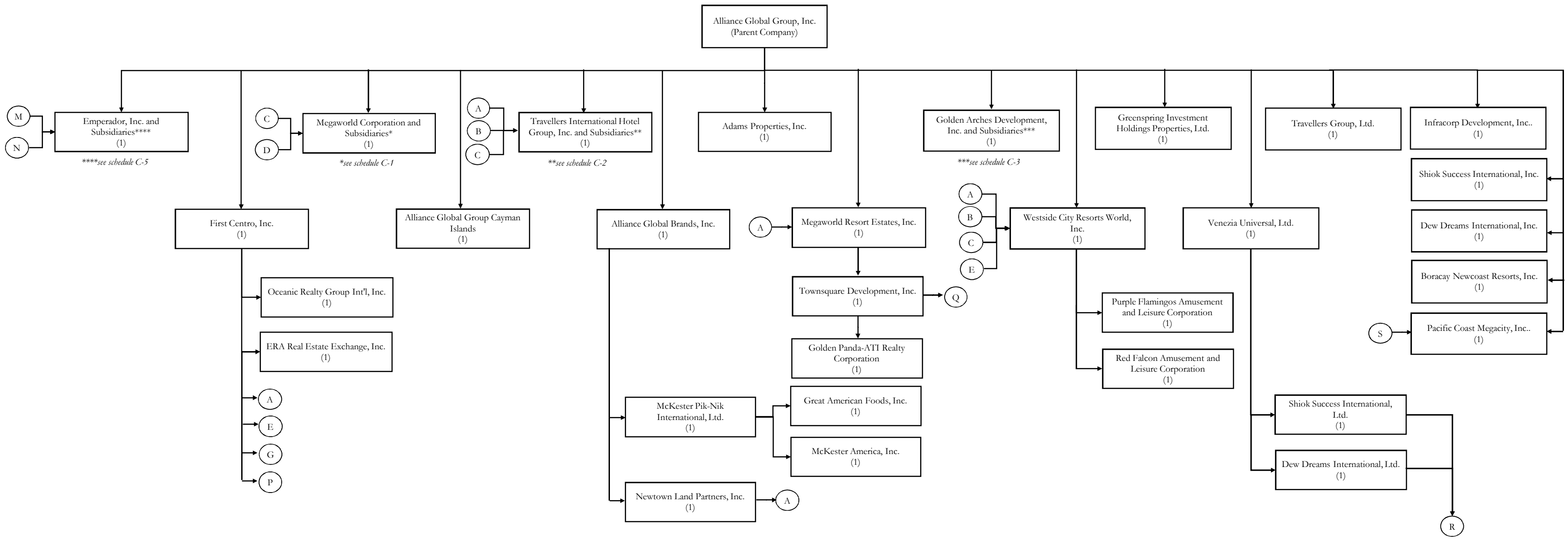
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation**	✓		
	Amendments to PAS 32: Classification of Rights Issues**	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Reclassification to and from Investment Property**	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**	✓		
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty Over Income Tax Treatments (effective *January 1, 2019*)			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers**	✓		
SIC-15	Operating Leases - Incentives**	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2018 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

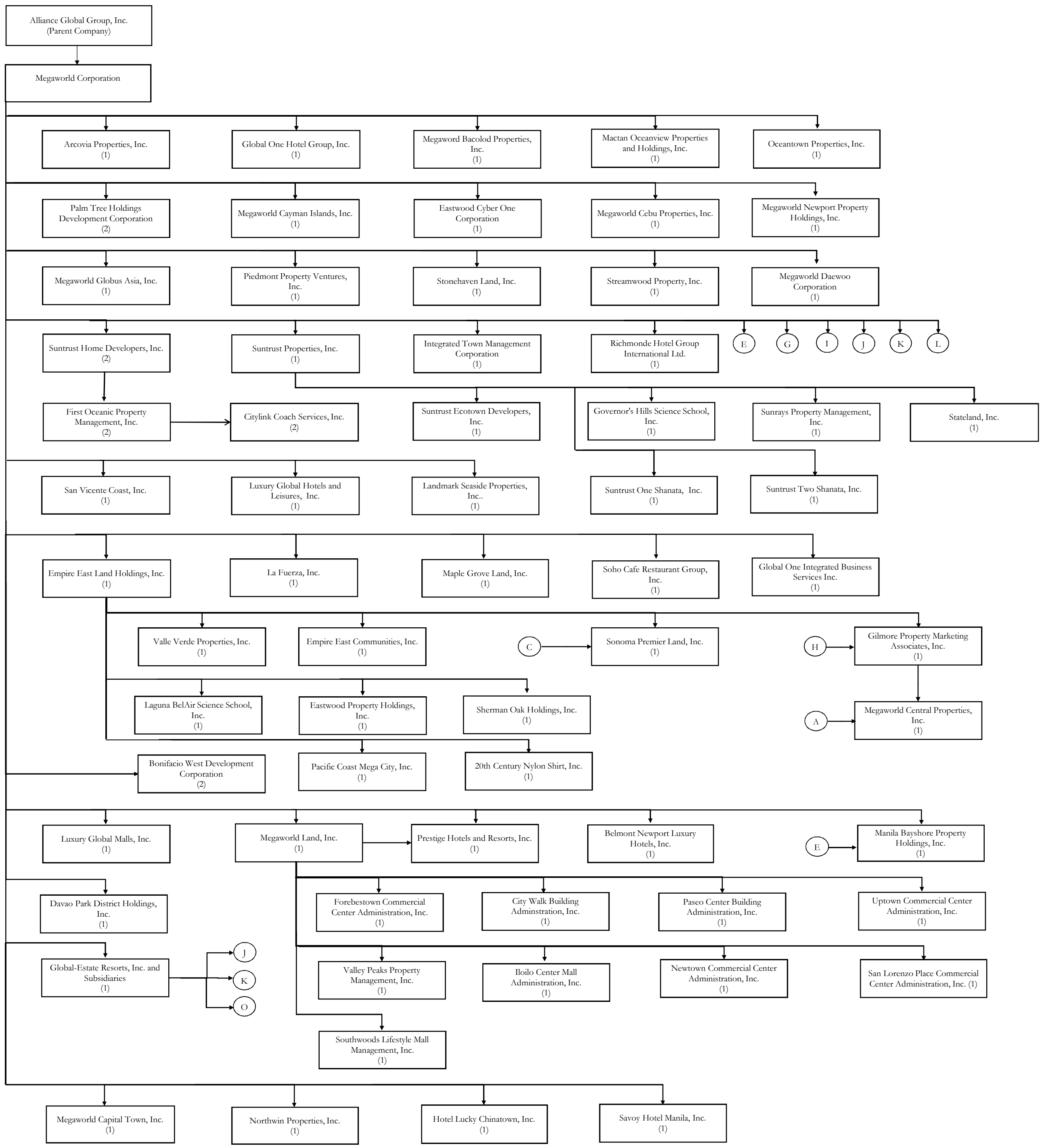
EMPIRE EAST LAND HOLDINGS, INC.
Map Showing the Relationship Between Alliance Global Group, Inc.
and its Related Parties
December 31, 2018



Legend

(1)	Subsidiary	A	Megaworld Corporation	F	Manila Bayshore Property Holdings, Inc.	K	Megaworld Global Estates, Inc.	P	Sonoma Premier Land, Inc.
(2)	Associate	B	Adams Properties, Inc.	G	Westside City Resorts World, Inc.	L	Megaworld Central Properties, Inc.	Q	Gilmore Property Marketing Associates, Inc.
(3)	Jointly Controlled Entity	C	First Centro, Inc.	H	Townsquare Development, Inc.	M	Shiok Success International, Ltd.	R	Emperador Inc.
		D	Newtown Land Partners, Inc.	I	Megaworld Resort Estates, Inc.	N	Dew Dreams International, Ltd.		
		E	Travellers International Hotel Group, Inc.	J	Twin Lakes Corporation	O	Fil-Estate Properties, Inc.		

EMPIRE EAST LAND HOLDINGS, INC.
Schedule C-1 - Map Showing the Relationship Between Alliance Global Group, Inc.
and Megaworld Corporation Group
December 31, 2018



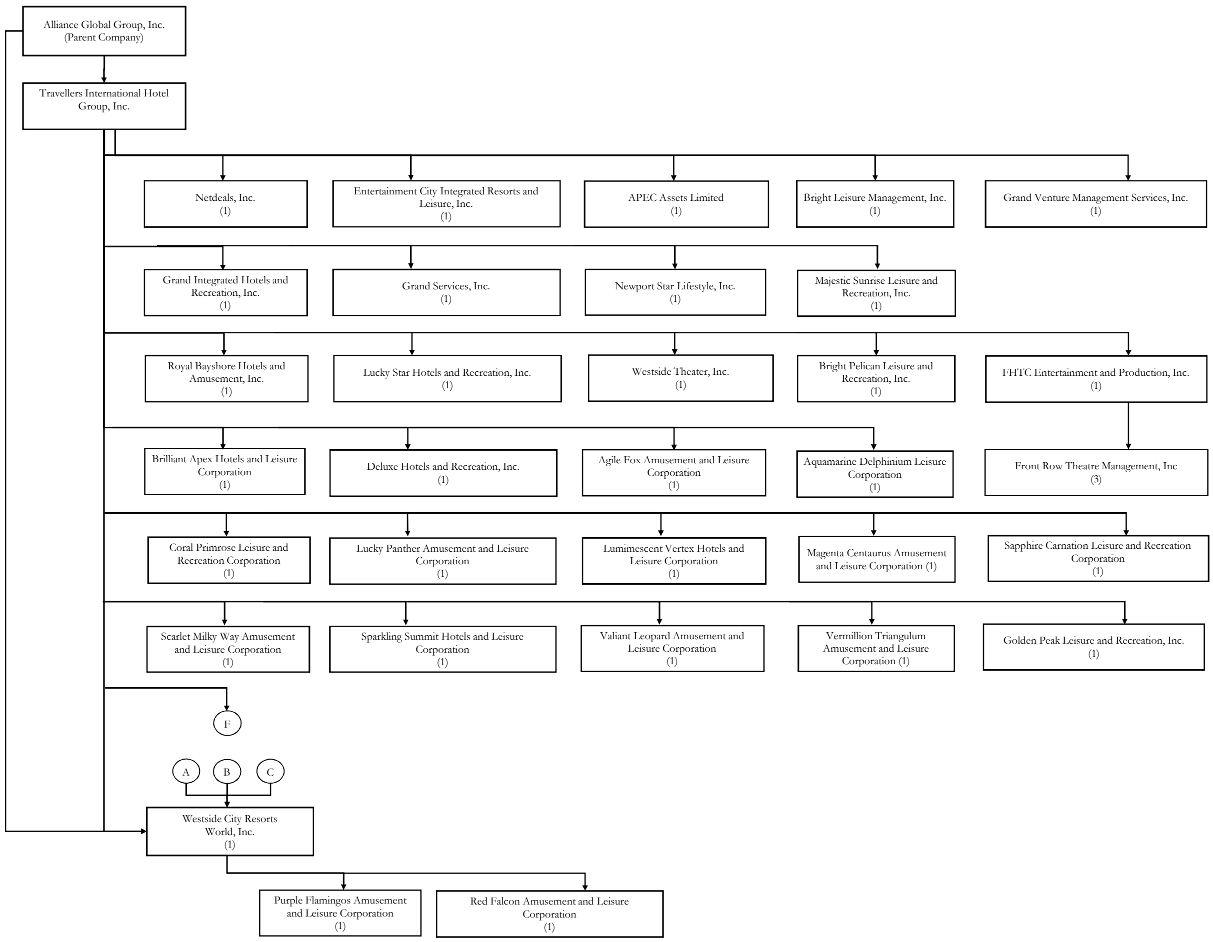
Legend

Relationship with Megaworld Corporation

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Fil-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

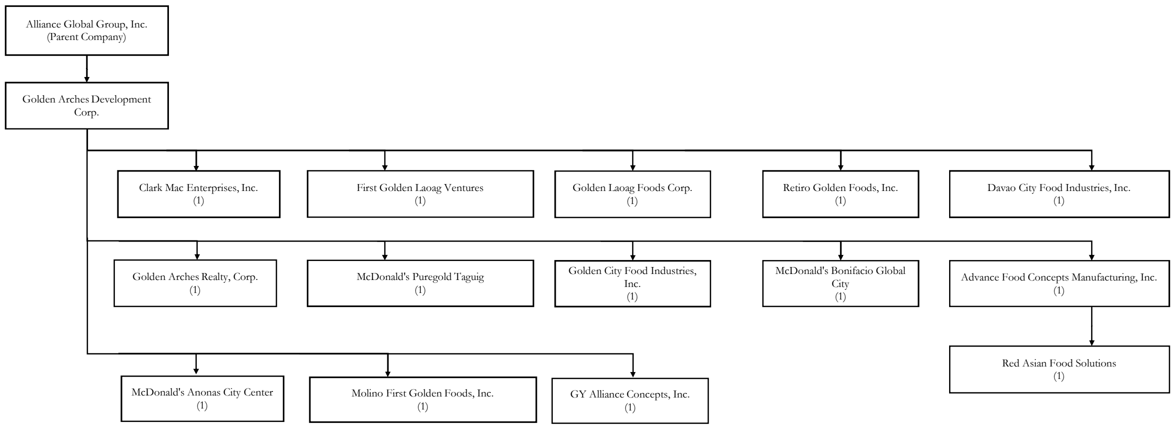
EMPIRE EAST LAND HOLDINGS, INC.
Schedule C-2 - Map Showing the Relationship Between Alliance Global Group, Inc.
and Travellers Group
December 31, 2018



Legend
Relationship with Travellers International Hotel Group, Inc.
(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

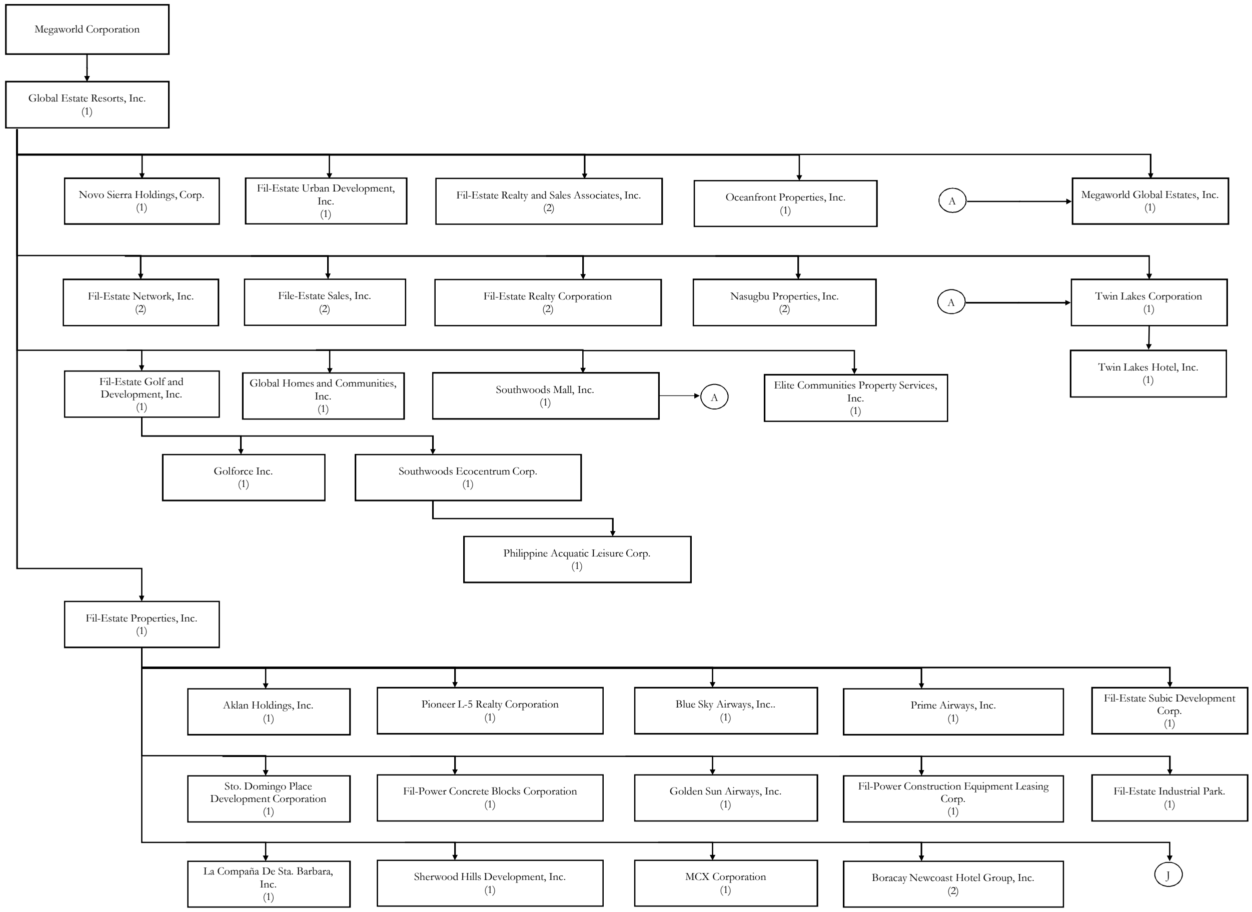
EMPIRE EAST LAND HOLDINGS, INC.
Schedule C-3 - Map Showing the Relationship Between Alliance Global Group, Inc.
and Golden Arches Development Corporation Group
December 31, 2018



Legend
Relationship with Golden Arches Development Corporation
(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPIRE EAST LAND HOLDINGS, INC.
Schedule C-4 - Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
December 31, 2018

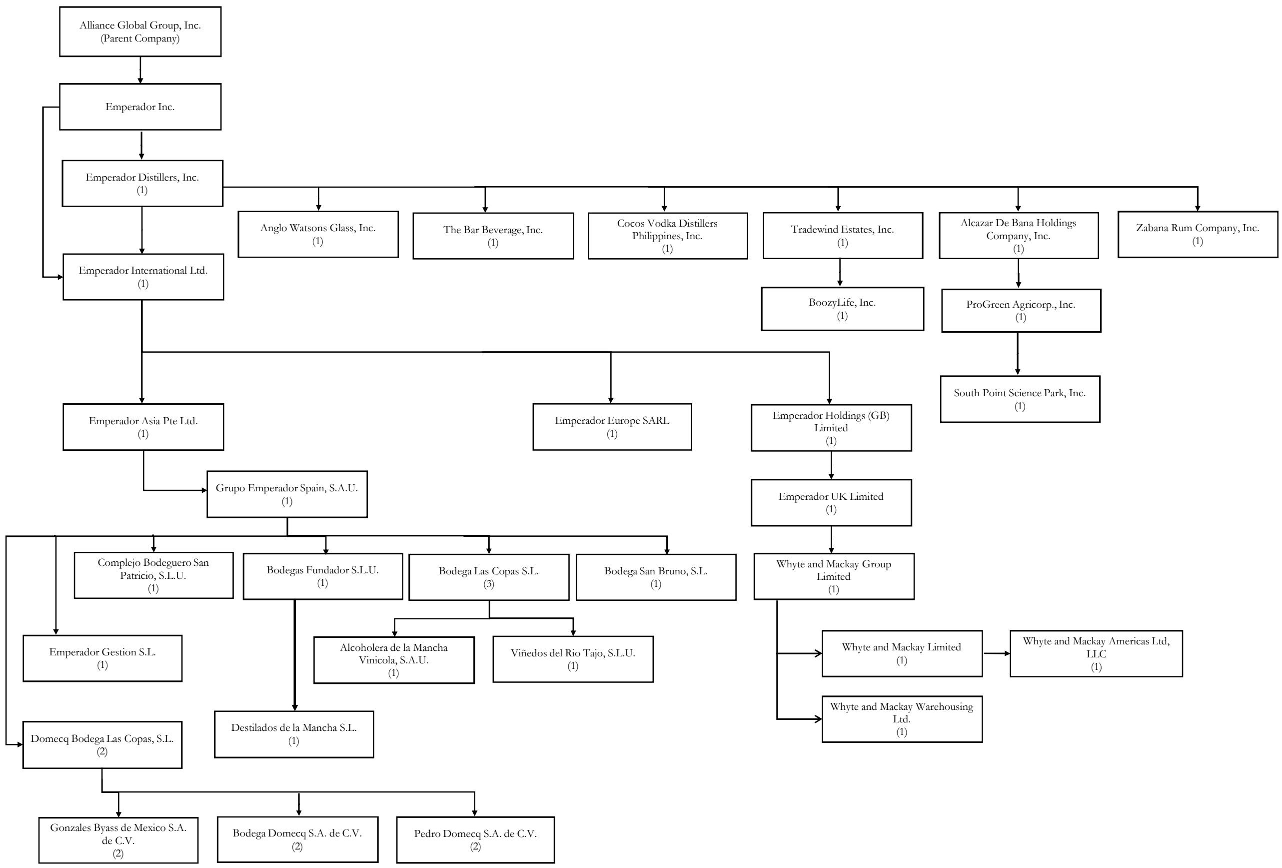


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

EMPIRE EAST LAND HOLDINGS, INC.
Schedule C-5 - Map Showing the Relationship Between Alliance Global Group, Inc.
and Emperador Group
December 31, 2018



Legend
Relationship with Emperador Inc.
(1) Subsidiary (100%)
(2) Subsidiary (50%)
(3) Jointly Controlled Entity