

SEC Number: CS200321240

File Number: _____

CEBU LANDMASTERS, INC.

(Company's Full Name)

10TH FLOOR, PARK CENTRALE, B2 L3,

**JOSE MA. DEL MAR ST.,
CEBU IT PARK, APAS, CEBU CITY**

(Company Address)

(32) 231-4914

(Telephone Number)

September 30, 2020

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

(Amendments)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended September 30, 2020
2. Commission Identification Number CS200321240
3. BIR Tax Identification No. 227-599-320
4. Exact name of issuer as specified in its charter: CEBU LANDMASTERS, INC
5. Province, Country or other jurisdiction of incorporation or organization: CEBU CITY, CEBU, PHILIPPINES
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of the issuer's principal office and postal code:
10TH FLOOR, PARK CENTRALE, B2 L3, JOSE MA. DEL MAR ST., CEBU IT PARK, APAS, CEBU CITY
Postal code: 6000
9. Issuer's telephone number, including area code: (032) 231-4914
10. Former name, former address, former fiscal year: Not applicable
11. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of shares issued and outstanding
COMMON SHARES	1,557,680,000

Stock Exchange: Philippine Stock Exchange

Securities listed: Common shares

12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes No
 - (b) has been subject to such filing requirements for the past 90 days:
Yes No

I. MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY MILESTONES

Cebu Landmasters, Inc. (“CLI” or the “Company”) is the leading real estate developer in Visayas and Mindanao currently located in 15 key cities.

Despite the crisis brought about by the COVID-19 pandemic, CLI continues to establish strength and leadership in the VisMin region. In the first nine months, CLI launched five projects worth Php5.50 billion. The Company also entered new markets like Iloilo and Bohol.

During the three quarters of 2020, the Company recorded 14% growth in reservation sales to Php10.50 billion year-on-year (y-o-y) driven by increased demand from end-users of affordable homes. CLI has successfully launched a total of five projects in areas of Cebu, Bohol and Iloilo:

- (1) Velmiro Greens Bohol – 204 units worth Php900 million (86% sold)
- (2) Casa Mira Iloilo – 1,188 units worth Php 2.9 billion (68% sold)
- (3) Casa Mira Phase 3, Naga Cebu – 453 units worth Php860 million (100% sold)
- (4) Casa Mira Towers Mandaue Phase – 407 units worth Php1.20 billion (46% sold)
- (5) Casa Mira Towers Guadalupe – 234 units worth Php390 million (51% sold)

Until the end of 2019, 40% of CLI buyers were mostly OFWs. In 2020, the company’s share of OFW buyers dropped to 20% while local buyers’ share now increased to 61% from previously 40%

On July 22, the company’s Ming-Mori Minglanilla Reclamation Project covering 100 hectares was issued an Environmental Compliance Certificate (ECC) by the Department of Environment and Natural Resources following a comprehensive two-year review. The joint venture among the local government of Minglanilla and private consortium partners Ming-Mori Development Corp. (MMDC), envisions a world-class estate that will generate over 75,000 jobs in the municipality. The techno business hub will be a township project to house light industrial facilities with residential, commercial areas and an integrated port facility.

After regular review and monitoring of CLI’s financial performance and position, Philratings has maintained its initial rating of PRS Aa with Stable outlook to Cebu Landmasters. Obligations rated PRS Aa are of high quality and are subject to very low credit risk and capacity to meet financial commitments is very strong. The rating and outlook reflect the following key considerations: (1) Sound management and strategy, with a sustained competitive advantage in the Visayas and Mindanao markets as evidenced by its growth over the last few years; (2) Sustained growth in the past years although the pandemic is seen to temper growth momentum in the medium term; (3) Good coverage of interest and current debt, complemented by an adequate capital structure, which are seen to provide a satisfactory buffer for debt servicing during the

pandemic; and (4) Threats from a highly competitive market, with peers having access to significant capital and a substantial landbank, counterbalanced by the Company's ability to form strategic joint venture partnerships.

Furthermore, during the 3rd quarter, Cebu Landmasters completed Mivesa Garden Residences Phase 3, MesaVerte Garden Residences, Latitude Corporate Center, Casa Mira South Phases 1 & 2, Baseline Premier and Villa Casita. These projects will generate a total of Php 5.8 Billion worth of take-outs representing close to 3,500 units once turned-over.

REVIEW ON THE COMPANY'S RESULTS OF OPERATION

January 1 to September 30, 2020 vs January 1 to September 30, 2019

For the nine-month period ending September 30, 2020, CLI generated consolidated Net Income After Tax (NIAT) of Php1.70 billion, 12% y-o-y decline from Php1.94 billion, while Parent NIAT at Php1.50 billion, declined by 9% y-o-y from Php1.65 billion. This translates to earnings per share of Php0.93.

CLI posted a strong financial growth during the third quarter, consolidated NIAT is at Php780 million, 190% higher compared to the second quarter this year. Parent NIAT on the other hand is at Php710 million, 223% higher than the previous quarter.

REVENUES

CLI generated consolidated revenue of Php5.71 billion a slight decline of 4% y-o-y from Php5.95 billion in the same period of 2019 due to the impact of pandemic. In the third quarter of this year, consolidated revenues registered 57% growth to P2.20 billion from P1.40 billion in the second quarter of 2020.

Real estate

Revenue from sale of real estate reached Php5.58 billion, 5% y-o-y decline from Php5.87 billion in 2019. The company's revenues were driven by Garden Series (40%), followed by Casa Mira Series (29%) and Premier Series (28%). In terms of location, CLI's presence in Cebu remains to be strong, representing 50% of the total revenues, followed by CDO (18%) and Bacolod (11%). In the same period of 2019, Cebu generated 58% of the total revenues, followed by Bacolod (13%) and CDO (12%).

Premier Series (Premier market), decreased by 5% y-o-y to Php1.63 billion from Php1.71 billion, as Baseline Premier come close to completion and turn-over.

Garden Series (Mid-market), increased by 6% y-o-y to Php2.27 billion from Php2.14 billion, driven by Mivela Garden Residences, and Velmiro Uptown CDO.

Casa Mira (Economic market), decreased by 14% y-o-y to Php1.63 billion from Php 1.91 billion, due to delayed approval of permits for new launches caused by enhanced community quarantine during the second quarter of this year.

Compared to the previous quarter, CLI posts a 59% growth in the third quarter. The robust quarter on quarter growth was driven by the easement of quarantine across VisMin sites increasing construction efficiency to 90% from 70% in the 2nd quarter. Collections on the other hand has also improved with 500 more accounts qualifying for revenue recognition during the quarter.

The Company expects to grow real estate revenue contribution from projects launched during the year—Casa Mira Iloilo, Velmiro Greens Bohol, Casa Mira Towers Mandaue Tower 2, Casa Mira South Phase 3B and Casa Mira Towers Guadalupe.

Hotel operations

Citadines Cebu City maintained an average occupancy rate of 67% during the nine months of 2020 as it catered to BPO companies that housed their employees during the lockdown. Launched on September 14, 2019, Citadines Cebu City posted Php49.34 million revenues in the nine-month period ending September 30, 2020.

Leasing

Company offered lease discounts and holidays to support local businesses during lockdown this decreased its rental revenue to Php44.54 million from Php46.72 million in the same period of 2019. GLA increased by 5% y-o-y to 14,472 square meter (sq.m.) from 13,806 sq.m. with the completion of Baseline Center in Cebu. Company's rental occupancy rate is at 87% as of September 30, 2020.

Property Management

Revenue from property management fees increase to Php32.08 million, 19% y-o-y increase from Php26.86 million mainly from completed and turn-over projects during the year—Casa Mira South Phase 1 and 2, MesaVerte Residences, and Mivesa Graden Residences Phase 3.

COST AND EXPENSES

The Company's cost of sales for the nine-month period ending September 30, 2020 at Php2.93 billion decreased by 3% y-o-y from Php3.02 billion, in line with the decrease in real estate revenue. Operating expenses during the period amounted to Php902.39 million, 22% y-o-y increase from Php738.07 million mainly from the increase in commissions and incentives to Php324.39 million, with the implementation of PFRS 15. Salaries and employee benefits also grew by 26% to Php241.18 million due to the increase in headcount to 493 to support the expansions across VisMin. Other operating expenses likewise increased as CLI implemented and heightened safety hygiene and sanitation policies during the quarantine.

Borrowing cost and financing charges accrued decreased by 4% y-o-y to Php299.71 million from Php312.15 million due to higher costs being capitalized. Borrowing rates ranges from 3.72% to 6.50% representing the costs on loans and corporate notes obtained to fund the Company's construction projects.

REVIEW ON THE COMPANY'S FINANCIAL CONDITION **As of September 30, 2020, vs December 31, 2019**

CLI's balance sheet continues to be solidly positioned to support construction and expansion plans. As of September 30, 2020, CLI reported 28% growth in total assets to Php49.18 billion from Php38.28 billion as of December 31, 2019 driven by the increase in contract assets and investment properties.

ASSETS

147% increase in Cash and Cash equivalents

Increased to Php2.26 billion from Php917.17 million mainly from corporate notes proceeds to fund capital expenditure of existing and pipeline projects.

40% increase in Contract assets (including non-current portion)

Increased to Php12.42 billion from Php8.89 billion from installment contracts on new and existing projects that continue to recognize real estate revenue as construction progresses.

21% increase in Real estate inventory

Increase to Php11.41 billion from Php9.45 billion driven by 5 new projects launched during the year; and reclassified fully-paid raw land from deposits on land to real estate inventory.

29% decrease in Deposits on land for future development (including non-current portion)

Decreased to Php917.13 million from Php1.29 billion as fully paid land purchases were reclassified to raw land inventory. Additional deposits on land for the year amount to Php866.66 million.

115% increase in Due from related parties

Transactions paid by CLI (Parent) on behalf of its related parties increased to Php21.43 million from Php9.95 million.

59% increase in Prepayments and other current assets

Increased to Php3.61 billion from Php2.27 billion coming from advances to suppliers and subcontractors; and related input Value Added Tax on the construction materials purchased.

23% increase in Investment properties

Increased to Php10.97 billion from Php8.90 billion attributed to ongoing construction on projects held to earn commercial and office rental income. In 2020, the Company reclassified Php1.83 billion construction in progress from real estate inventories to investment properties.

17% increase in Property and equipment

Increase to Php414.33 million from Php355.12 million due to construction in progress of CLI's sales and administrative office.

407% increase in Right of use asset and 471% increase in Lease liabilities

Right of use asset increased to Php885.90 million and Lease liability increased to Php787.86 million with recognition of the high-value leasehold rights acquired on the 43-year land lease for Cebu Business Park Office and Hotel Tower and 40-year land lease for Patria de Cebu.

LIABILITIES

38% increase in Interest-bearing loans and borrowings (including non-current portion)

Increased to Php23.32 billion from Php16.85 billion mainly from the Php8 billion Corporate Notes issued during the year.

38% increase in Trade and other payables (including non-current portion)

Increased to Php7.99 billion from Php5.78 billion representing outstanding obligations to subcontractors and suppliers of construction materials.

58% increase in Income Tax Payable

Decreased to Php12.46 million from Php29.73 million from tax credits on tax exempt transactions.

12% increase in Deferred Tax Liabilities

Increased to Php1.26 billion from Php1.12 billion due to additional recognized tax liability on taxable temporary differences.

EQUITY

192% increase in Treasury Shares

On March 27, 2020, the Board of Directors (BOD) of the Parent Company approved an additional Php500.0 million stock buy-back program to support CLI's stock price and take advantage of the current low valuation for the next two years. Treasury shares purchased during the period amount to Php473.74 million.

14% increase in Non-Controlling Interest

Increase to Php6.86 billion from Php6.06 billion mainly from paid-in capital to Cebu Homegrown Developers, Inc. (CHDI), Cebu BL Ramos Ventures (CBLRV), and GGTT Realty Corporation (GGTT).

II. KEY PERFORMANCE INDICATORS

The Cebu Landmasters Inc. (CLI or the “Company”) uses a range of financial and operational key performance indicators (“KPIs”) to help measure and manage its performance. These KPIs reflect the Company’s continuous focus on efficiency, cost control and profitability across all its operations. Management considers the following as KPIs:

	As of September 30, 2020	As of September 30, 2019
Gross Profit Margin ¹	49%	49%
Net Income Margin ²	30%	33%
EBITDA ³	Php2.28 billion	Php2.28 billion
EBITDA Margin ⁴	40%	38%
Interest Coverage Ratio ⁵	2.90	4.17
	As of September 30, 2020	As of December 31, 2019
Return on Assets ⁶	5%	8%
Return on Equity (Parent) ⁷	26%	29%
Current Ratio ⁸	2.33	2.56
Net Debt to Equity Ratio ⁹	1.39	1.16

1. *Gross Profit Margin is gross profit as a percentage of revenues*
 2. *Net Income Margin is net income as a percentage of revenues*
 3. *EBITDA is defined as earnings before interest, tax, depreciation and amortization from continuing operations, and before exceptional items.*
 4. *EBITDA margin is EBITDA as a percentage of revenues*
 5. *Interest Coverage ratio is EBITDA divided by interest expense from loans*
 6. *Return on Assets is net income* as a percentage of assets*
 7. *Return on Average Equity is net income* as a percentage of equity*
 8. *Current Ratio is current assets divided by current liabilities*
 9. *Net Debt to Equity Ratio is interest bearing debt less cash and cash equivalents over total equity*
- * ROE and ROA is computed based on the projected net income for the year

CLI reported Group Gross Profit Margin of 49% and Net Income Margin of 30%. Bottom-line decline was brought about by the impact of the coronavirus disease (COVID-19) global pandemic. With the rapid increase of COVID-19 cases in the Visayas and Mindanao (VisMin) region, the government implemented community quarantine to contain the spread of infection. In the third quarter, construction and transportation of resources renormalizes to 90% in VisMin regions where CLI operates.

For the nine months ending September 30, 2020, all other ratios remain healthy with Return on Assets at 5% and Return on Equity (Parent) at 26%. Net Debt to Equity ratio increased to 1.39x from 1.16x in December 31, 2019 mainly from issuance of Php8.0 billion Corporate Notes to finance new project launches and treasury share buyback. The Company’s current ratio projects ample liquidity at 2.33x.

Management together with key officers continue to effectively handle their respective operations and financial requirements despite the pandemic. As a result, CLI’s financial position remains liquid and strong.

III. OTHER INFORMATION

ITEM 1 THIRD QUARTER 2020 DEVELOPMENTS

A. New Projects or Investments in another line of business or corporation. None

B. Composition of Board of Directors

Name	Position
Jose R. Soberano III	Chairman of the Board, CEO and President
Ma. Rosario B. Soberano	Director, Treasurer and Executive Vice- President
Jose Franco B. Soberano	Director, Chief Operating Officer and Senior Vice-President
Beauregard Grant L. Cheng	Director, Chief Finance Officer
Joanna Marie B. Soberano	Director, VP for Marketing
Stephen A. Tan	Director
Ma. Jasmine Oporto	Independent Director
Rufino Luis Manotok	Independent Director
Ma. Aurora D, Geotina-Garcia	Independent Director

C. Performance of the corporation or result/progress of operations.

Please see unaudited Financial Statements and Management's Discussion and Analysis.

D. Declaration of Dividends.

On February 19, 2020, the BOD declared cash dividend of Php0.25 per share totaling Php414,795,000 to stockholders on record as of April 3, 2020. Such dividend was paid on April 30, 2020.

E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements.

As of September 30, 2020, the Company holds ownership interests in the following subsidiaries and associates:

<u>Entity</u>	<u>Effective Percentage of Ownership</u>	
	<u>2020</u>	<u>2019</u>
<i>Subsidiaries</i>		
CLI Premier Hotels Int'l. Inc. (CPH)	100	100
Cebu Landmasters Property Management, Inc. (CPM)	100	100
A.S. Fortuna Property Ventures, Inc. (ASF)	100	100
BL CBP Ventures, Inc. (BL Ventures)	50	50
Yuson Excellence Soberano, Inc. (YES)	50	50
Yuson Huang Excellence Soberano, Inc. (YHES)	50	50
YHEST Realty and Development Corporation (YHEST)	50	50
CCLI Premier Hotels, Inc. (CCLI)	50	50
YHES Premier Hotels Inc. (YHESPH)	50	50
Mivesa Garden Residences, Inc. (MGR)	45	45
El Camino Developers Cebu, Inc. (El Camino)	35	35
Cebu Homegrown Developers, Inc. (CHDI)	50	50
Cebu BL-Ramos Ventures, Inc. (CBLRV)	50	-
GGTT Realty Corporation (GGTT)	50	-
<i>Associates</i>		
Magspeak Nature Park, Inc. (Magspeak)	25	25
Ming-mori Development Corporation (MDC)	20	20

CLI Premier Hotels Intl., Inc., a wholly owned subsidiary of the Company, was incorporated on August 26, 2016 to take charge of Citadines Cebu City and the Company's future hotel developments. The commercial operations started on September 14, 2019. Its principal office address is at 10th Floor, Park Centrale Tower, J.M. Del Mar St., Cebu IT Park, Brgy. Apas, Cebu City.

Cebu Landmasters Property Management, Inc., a wholly owned subsidiary of the Company, was incorporated on April 20, 2017 to provide property management services initially to housing and condominium projects developed by the Company. It is envisioned to eventually offer and expand its services to outside clients. The started commercial operations on September 1, 2017. Its principal office address is at 10th Floor, Park Centrale Tower, J.M. Del Mar St., Cebu IT Park, Brgy. Apas, Cebu City.

A.S. Fortuna Property Ventures, Inc. was incorporated as a joint venture on March 9, 2017 to facilitate the acquisition of a 9,989-sq.m. property along AS Fortuna Avenue for the development of the Astra Center Mandaue, a mixed-use development in the AS Fortuna Mandaue area that will house a hotel, residential and office development and a boutique mall. CLI acquired all the ownership interest of its business partners at the end of 2017 which made ASF its wholly owned subsidiary as of December 31, 2017. Its principal office is located 10th Floor, Park Centrale Tower, Josemaria del Mar St., Cebu IT Park, Brgy. Apas, Cebu City.

BL CBP Ventures, Inc. was incorporated on February 3, 2016 to develop Latitude Corporate Center, a 24-storey office development at the Cebu Business Park. BL CBP Ventures, Inc. was a joint venture of the Company and Borromeo Bros, Inc. Its principal office address is at AB Soberano Bldg., Salvador Ext., Labangon, Cebu City.

YES, Inc. was incorporated on December 15, 2016 to mark the Company's entry into the Davao market. It is a joint venture between the Company and Yuson Comm. Investments Inc. to undertake the development of MesaTierra Garden Residences, a 21-storey residential condominium, and two other mixed-use projects in Davao City. It will also engage in real estate brokering to facilitate the marketing and sale of the joint venture developments in Davao. Its principal office address is at Suite A, 204 Plaza De Luisa Complex, 140 R. Magsaysay Ave. in Davao City.

YHES, Inc. was incorporated on November 10, 2017 to develop the Paragon Davao, a 1.9-hectare property in Riverside Davao. The development will become a mixed-use real estate which will include a residential, retail, hotel and convention center. YHES Inc., is a joint venture of CLI, Yuson Strategic Holdings Inc., and Davao Filandia Realty Corp. Its principal office is located at MesaTierra Garden Residences Showroom, E. Quirino Avenue in Davao City.

YHEST Realty and Development, Inc was incorporated on August 10, 2018 to develop the Davao Global Township. YHEST Realty and Development is a joint venture between CLI, Yuson Strategic Holdings Inc., Davao Filandia Realty Corp., Plaza De Luisa Development Inc., Yuson Newtown Corp., and Davao Primeland Properties Corp. Its principal address is at MesaTierra Garden Residences Showroom, E. Quirino Avenue in Davao City.

CCLI Premier Hotels, Inc. was incorporated on November 12, 2018 as an undertaking between CLI and Capitaine, Inc. for the development of Citadines hotel in Bacolod City. The Citadines hotel is planned to be

managed by Ascott. The principal place of business of CCLI is located at 2nd floor MesaVirre showroom in Bacolod City.

Mivesa Garden Residences, Inc. was incorporated on March 13, 2017 to develop Towers 6 and 7 (Phase 3) of Mivesa Garden Residences, a real property development project located on a 3,000-sq.m. property to be registered in the Company's name. Its principal office is located 10th Floor, Park Centrale Tower, Josemaria del Mar St., Cebu IT Park, Brgy. Apas, Cebu City. CLI holds a 45% stake in MGR.

EL Camino Developers Cebu, Inc. was incorporated on August 15, 2016 to develop a 1.17-hectare property inside the Cebu IT Park, and to construct (1) 38 Park Avenue at the Cebu IT Park, a 38-storey high-end residential condominium, and (2) Park Avenue Corporate Center, a Grade A office building with over 20,000 sq.m. of leasable area. Its principal office address is at Base Line Center, Juana Osmeña St., Brgy. Kamputhaw, Cebu City. The Company has a 35% stake in El Camino.

YHES Premier Hotels Inc. was incorporated on October 28, 2019 as a wholly owned subsidiary of YHES that will engage in hotel business. Its ultimate parent is CLI which owns 50% of YHES. YHESPH has not yet started its commercial operations.

Cebu Homegrown Developers, Inc., a joint venture of Aboitizland and CLI, was recently incorporated on December 5, 2019 to develop a high-rise mixed-use condominium complex, with sellable and leasable units, in a 12,405 sq.m. lot area in Mandaue City, Cebu. The Company has a 50% stake in Aboitiz CLI Cebu Developers, Inc.

Cebu BL-Ramos Ventures, Inc. was incorporated on February 21, 2020 as an undertaking between CLI and BBEI and is engaged in the development of a mixed-use condominium tower in Cebu City. Its principal place of business also is located in Cebu City.

GGTT Realty Corporation was incorporated on March 26, 2003 with principal place of business located in Iloilo City. On June 16, 2020, CLI acquired 50% ownership in GGTT to obtain a controlling interest in the company. GGTT is engaged to construct a residential condominium project in Iloilo City.

Magspeak Nature Park, Inc. was incorporated on October 21, 2011 to acquire, lease and develop lands into nature and eco-tourism parks in Balamban Cebu, and to manage and operate the same. CLI holds a 25% stake in Magspeak.

Ming-Mori Development Corporation was incorporated on August 1, 2013 to undertake and execute land reclamation projects, submit bids and accept awards for reclamation projects, and manage, hold and sell reclaimed land and other real property. MDC is the private consortium that has proposed to undertake the Ming-Mori Reclamation Project of the Municipality of Minglanilla, which involves the development of the Minglanilla TechnoBusiness Hub, a 100-hectare techno-business park in the progressive town of Minglanilla, a mere 30 minutes away from Cebu City. The Company has subscribed to 20% in Ming-Mori Development Corporation.

F. Offering of rights, granting of Stock Options and corresponding plans thereof.

During the Regular Meeting last February 27, 2018, The Board of Directors of CLI approved the Employee Share Options Plan (ESOP) to attract, retain deserving employees. The shares to be given to the employees of the Company will be carved out from the treasury shares it acquired from the share buy-back program.

G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate.

Not Applicable

H. Other information, material events or happenings that may have affected or may affect market price of security.

None

I. Transferring of assets, except in normal course of business.

None

III. OTHER NOTES TO SECOND QUARTER OF 2020 OPERATIONS AND FINANCIALS

J. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size, or incidents.

None

K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period.

None

L. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period.

None

M. New financing through loans/ issuances, repurchases and repayments of debt and equity securities.

See Notes to Financial Statements and Management Discussion and Analysis.

N. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

None

O. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

None

P. Changes in Contingent Liabilities or contingent assets since the last annual balance sheet date.

None

Q. Other material events or transactions during the interim period.

None

R. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

None

S. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

None.

T. Material commitments for capital expenditures, general purpose and expected sources of funds

None

U. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations.'

CLI's performance will remain to be in line with the strength of the country's economic performance and overall levels of business activity. The Company may be affected by any economic and political uncertainties both locally and internationally that could have adverse effects on the real estate industry.

CLI however believes that through its key strengths and competitive advantages, the Company will continue to operate and deliver its promise under any circumstances.

V. Significant elements of income or loss that did not arise from continuing operations

None

W. Causes for any material change/s from period to period in one or more line items of the financial statements.

None

X. Seasonal aspects that had material effect on the financial condition or results of operations.

None

Y. Disclosures not made under SEC Form 17C

None

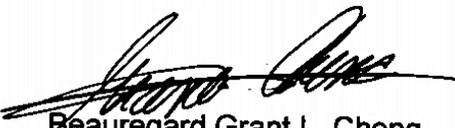
SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ISSUER

CEBU LANDMASTERS, INC.

PRINCIPAL ACCOUNTING OFFICER



Beauregard Grant L. Cheng
Chief Finance Officer

DATE

November 16, 2020

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>September 30 2020 (Unaudited)</u>	<u>December 31, 2019 (Audited)</u>
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 2,261,087,591	P 917,170,651
Receivables - net	6	5,949,293,420	5,204,137,996
Contract assets - net	17	3,725,452,686	3,799,666,118
Real estate inventories	7	11,406,255,795	9,446,952,918
Deposits on land for future development	8	719,271,330	1,289,398,997
Due from related parties	23	21,433,018	9,947,417
Prepayments and other current assets	9	<u>3,611,166,767</u>	<u>2,265,504,406</u>
Total Current Assets		<u>27,693,960,607</u>	<u>22,932,778,503</u>
NON-CURRENT ASSETS			
Receivables - net	6	169,940,990	671,924,942
Contract assets - net	17	8,698,688,484	5,092,843,910
Deposits on land for future development	8	197,856,911	-
Investments in associates	10	15,496,544	16,378,423
Property and equipment - net	11	414,330,892	355,120,980
Right-of-use assets	12	885,900,246	174,759,463
Investment properties - net	13	10,969,888,021	8,904,844,700
Fair value of plan assets - net		5,923,584	5,923,584
Other non-current assets - net	14	<u>128,878,138</u>	<u>128,867,731</u>
Total Non-current Assets		<u>21,486,903,810</u>	<u>15,350,663,733</u>
TOTAL ASSETS		<u>P 49,180,864,417</u>	<u>P 38,283,442,236</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	P 3,380,341,231	P 2,627,759,378
Trade and other payables	16	7,881,856,024	5,701,910,028
Contract liabilities	17	482,566,908	418,967,659
Customers' deposits	17	143,249,139	191,042,919
Lease liabilities	12	353,463	1,775,306
Income Tax Payable		<u>12,459,450</u>	<u>29,726,619</u>
Total Current Liabilities		<u>11,900,826,215</u>	<u>8,971,181,909</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	19,937,326,578	14,218,997,199
Trade and other payables	16	106,607,019	81,616,966
Lease liabilities	12	800,827,137	138,501,152
Deferred tax liabilities - net		<u>1,264,510,737</u>	<u>1,124,886,722</u>
Total Non-current Liabilities		<u>22,109,271,471</u>	<u>15,564,002,039</u>
Total Liabilities		<u>34,010,097,686</u>	<u>24,535,183,948</u>

(Forward)

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>September 30 2020 (Unaudited)</u>	<u>December 31, 2019 (Audited)</u>
EQUITY			
Equity attributable to shareholders of Parent Company	24		
Capital stock		1,714,000,000	1,714,000,000
Additional paid-in capital		1,608,917,974	1,608,917,974
Treasury shares		(720,932,827)	(247,193,811)
Revaluation reserves - net		(6,589,225)	(6,589,225)
Retained earnings		<u>5,699,962,760</u>	<u>4,623,093,445</u>
		8,295,358,682	7,692,228,383
Non-controlling interest	24	<u>6,875,408,049</u>	<u>6,056,029,905</u>
Total Equity		<u>15,170,766,731</u>	<u>13,748,258,288</u>
TOTAL LIABILITIES AND EQUITY		<u>P 49,180,864,417</u>	<u>P 38,283,442,236</u>

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	Jul to Sep 2020 (Unaudited)	Jan to Sep 2020 (Unaudited)	Jul to Sep 2019 (Unaudited)	Jan to Sep 2019 (Unaudited)
REVENUES	17				
Sale of real estates		P 2,163,363,723	P 5,583,223,660	P 2,417,118,595	P 5,873,782,471
Hotel operations		11,115,151	49,336,918	314,082	314,082
Rental		12,235,580	44,540,706	18,982,262	46,717,538
Management fees		<u>11,249,769</u>	<u>32,081,279</u>	<u>15,949,586</u>	<u>26,861,202</u>
		2,197,964,223	5,709,182,563	2,452,364,525	5,947,675,293
COST OF SALES AND SERVICES	18	(<u>1,126,632,191</u>)	(<u>2,927,635,473</u>)	(<u>1,232,806,564</u>)	(<u>3,015,822,009</u>)
GROSS PROFIT		1,071,332,032	2,781,547,090	1,219,557,961	2,931,853,284
OPERATING EXPENSES	19	(<u>303,956,981</u>)	(<u>902,392,068</u>)	(<u>308,323,720</u>)	(<u>738,067,132</u>)
OTHER OPERATING INCOME	20	<u>16,445,522</u>	<u>45,924,156</u>	<u>24,500,673</u>	<u>49,195,813</u>
OPERATING PROFIT		783,820,573	1,925,079,178	935,734,914	2,242,981,965
SHARE IN NET LOSS OF ASSOCIATES	10	(<u>721,034</u>)	(<u>825,465</u>)	(<u>76,441</u>)	(<u>275,325</u>)
FINANCE COSTS	15	(<u>14,539,008</u>)	(<u>41,582,634</u>)	(<u>1,473,818</u>)	(<u>64,673,193</u>)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS	6	-	-	(<u>14,527,950</u>)	(<u>30,180,265</u>)
FINANCE INCOME		32,088,226	35,506,484	977,560	17,644,504
OTHER LOSSES	20	(<u>68,944</u>)	(<u>191,929</u>)	(<u>37,642</u>)	(<u>37,642</u>)
PROFIT BEFORE TAX		800,579,813	1,917,985,634	920,596,623	2,165,460,044
TAX EXPENSE	22	(<u>20,152,746</u>)	(<u>219,527,483</u>)	(<u>90,793,325</u>)	(<u>226,700,859</u>)
NET PROFIT		<u>P 780,427,067</u>	<u>P 1,698,458,151</u>	<u>P 829,803,298</u>	<u>P 1,938,759,185</u>
Net profit attributable to:					
Parent Company's shareholders		<u>P 709,776,974</u>	<u>P 1,501,580,008</u>	<u>P 794,249,547</u>	<u>P 1,648,592,355</u>
Non-controlling interests		<u>70,650,093</u>	<u>196,878,143</u>	<u>35,553,751</u>	<u>290,166,830</u>
		<u>P 780,427,067</u>	<u>P 1,698,458,151</u>	<u>P 829,803,298</u>	<u>P 1,938,759,185</u>
Earnings per Share:					
Basic and diluted	25	<u>P 0.44</u>	<u>P 0.93</u>	<u>P 0.48</u>	<u>P 0.99</u>

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in Philippine Pesos)

	Jul to Sep 2020 <i>(Unaudited)</i>	Jan to Sep 2020 <i>(Unaudited)</i>	Jul to Sep 2019 <i>(Unaudited)</i>	Jan to Sep 2019 <i>(Unaudited)</i>
NET PROFIT	<u>₱ 780,427,067</u>	<u>₱ 1,698,458,151</u>	<u>₱ 829,803,298</u>	<u>₱ 1,938,759,185</u>
OTHER COMPREHENSIVE INCOME				
Other Comprehensive Income - Net of Tax	-	-	-	-
TOTAL COMPREHENSIVE INCOME	<u>₱ 780,427,067</u>	<u>₱ 1,698,458,151</u>	<u>₱ 829,803,298</u>	<u>₱ 1,938,759,185</u>
Total comprehensive income attributable to:				
Parent Company's shareholders	<u>₱ 709,776,974</u>	<u>₱ 1,501,580,008</u>	<u>₱ 794,249,547</u>	<u>₱ 1,648,592,355</u>
Non-controlling interests	<u>70,650,093</u>	<u>196,878,143</u>	<u>35,553,751</u>	<u>290,166,830</u>
	<u>₱ 780,427,067</u>	<u>₱ 1,698,458,151</u>	<u>₱ 829,803,298</u>	<u>₱ 1,938,759,185</u>

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in Philippine Pesos)

Note	Attributable to Parent Company's Shareholders								Non-controlling	
	Capital Stock (See Note 24)	Additional Paid-in Capital (See Note 24)	Treasury Stock (See Note 24)	Revaluation Reserves (See Note 24)	Appropriated (See Note 24)	Unappropriated (See Note 24)	Total	Total	Interests (See Note 24)	Total
Balance at January 1, 2020										
As previously reported	P 1,714,000,000	P 1,608,917,974	(P 247,193,811)	(P 6,589,225)	P 3,050,000,000	P 1,573,093,445	P 4,623,093,445	P 7,692,228,383	P 6,056,029,905	P 13,748,258,288
Effect of prior period adjustment	-	-	-	-	-	(9,915,693)	(9,915,693)	(9,915,693)	-	(9,915,693)
Balance after prior period adjustment	<u>1,714,000,000</u>	<u>1,608,917,974</u>	<u>(247,193,811)</u>	<u>(6,589,225)</u>	<u>3,050,000,000</u>	<u>1,563,177,752</u>	<u>4,613,177,752</u>	<u>7,682,312,690</u>	<u>6,056,029,905</u>	<u>13,738,342,595</u>
Transactions with owners										
Investments from non-controlling stockholders	-	-	-	-	-	-	-	-	632,500,001	632,500,001
Cash dividend	-	-	-	-	-	(414,795,000)	(414,795,000)	(414,795,000)	(10,000,000)	(424,795,000)
Acquisition of treasury stock	-	-	(473,739,016)	-	-	-	-	(473,739,016)	-	(473,739,016)
	<u>-</u>	<u>-</u>	<u>(473,739,016)</u>	<u>-</u>	<u>-</u>	<u>(414,795,000)</u>	<u>(414,795,000)</u>	<u>(888,534,016)</u>	<u>622,500,001</u>	<u>(266,034,015)</u>
Reversal of appropriation	-	-	-	-	(2,103,606,315)	2,103,606,315	-	-	-	-
Total comprehensive income for the year										
Net profit for the year	-	-	-	-	-	1,501,580,008	1,501,580,008	1,501,580,008	196,878,143	1,698,458,151
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-
Net profit for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,501,580,008</u>	<u>1,501,580,008</u>	<u>1,501,580,008</u>	<u>196,878,143</u>	<u>1,698,458,151</u>
Balance at September 30, 2020	<u>P 1,714,000,000</u>	<u>P 1,608,917,974</u>	<u>(P 720,932,827)</u>	<u>(P 6,589,225)</u>	<u>P 946,393,685</u>	<u>P 4,753,569,075</u>	<u>P 5,699,962,760</u>	<u>P 8,295,358,682</u>	<u>P 6,875,408,049</u>	<u>P 15,170,766,731</u>
Balance at January 1, 2019										
As previously reported	P 1,714,000,000	P 1,608,917,974	(P 212,459,418)	(P 12,428,442)	P -	P 2,943,393,829	P 2,943,393,829	P 6,041,423,943	P 5,280,557,011	P 11,321,980,954
Effect of prior period adjustment	-	-	-	-	-	3,893,800	3,893,800	3,893,800	-	3,893,800
Balance after prior period adjustment	<u>1,714,000,000</u>	<u>1,608,917,974</u>	<u>(212,459,418)</u>	<u>(12,428,442)</u>	<u>-</u>	<u>2,947,287,629</u>	<u>2,947,287,629</u>	<u>6,045,317,743</u>	<u>5,280,557,011</u>	<u>11,325,874,754</u>
Transactions with owners										
Investments from non-controlling stockholders	-	-	-	-	-	-	-	-	36,500,000	36,500,000
Cash dividend	-	-	-	-	-	(332,590,000)	(332,590,000)	(332,590,000)	(10,000,000)	(342,590,000)
Acquisition of treasury stock	-	-	(18,967,247)	-	-	-	-	(18,967,247)	-	(18,967,247)
	<u>-</u>	<u>-</u>	<u>(18,967,247)</u>	<u>-</u>	<u>-</u>	<u>(332,590,000)</u>	<u>(332,590,000)</u>	<u>(351,557,247)</u>	<u>26,500,000</u>	<u>(325,057,247)</u>
Total comprehensive income for the year										
Net profit for the year	-	-	-	-	-	1,648,592,355	1,648,592,355	1,648,592,355	290,166,830	1,938,759,185
Balance at September 30, 2019	<u>P 1,714,000,000</u>	<u>P 1,608,917,974</u>	<u>(P 231,426,665)</u>	<u>(P 12,428,442)</u>	<u>P -</u>	<u>P 4,263,289,984</u>	<u>P 4,263,289,984</u>	<u>P 7,342,352,851</u>	<u>P 5,597,223,841</u>	<u>P 12,939,576,692</u>

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in Philippine Pesos)

	<u>Notes</u>	September 30, 2020 <u>(Unaudited)</u>	September 30, 2019 <u>(Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 1,917,985,634	P 2,165,460,044
Adjustments for:			
Depreciation and amortization	19	62,524,722	45,499,518
Interest expense on lease liabilities	12	40,610,089	7,538,572
Interest income		(35,506,484)	(17,644,504)
Interest expense on interest-bearing loans	15	972,545	51,412,093
Share in net loss of associates	10	825,465	275,325
Amortization of debt issue costs		-	5,722,528
Impairment loss on financial assets		-	30,180,265
Operating profit before working capital changes		<u>1,987,411,971</u>	2,288,443,841
Decrease (increase) in receivables		(243,171,472)	(2,233,414,055)
Increase in contract assets		(3,531,631,142)	(1,558,245,823)
Increase in real estate inventories		(1,718,544,799)	113,960,114
Increase in deposits on land for future development		(866,655,597)	(1,022,232,000)
Increase in prepayments and other current assets		(1,345,662,361)	(823,798,992)
Increase in other non-current assets		3,202,908	(10,063,146)
Increase in trade and other payables		2,167,788,164	1,139,950,751
Increase (decrease) in contract liabilities		63,599,249	191,377,409
Increase (decrease) in customers' deposits		(47,793,780)	52,044,492
Increase (decrease) in post-employment defined benefit obligation		-	(6,727,950)
Cash used in operations		<u>(3,531,456,859)</u>	(1,868,705,359)
Cash paid for taxes		<u>(95,147,604)</u>	(78,920,276)
Net Cash Used in Operating Activities		<u>(3,626,604,463)</u>	(1,947,625,635)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of investment properties	13	(250,239,596)	(1,077,378,125)
Acquisitions of property and equipment	11	(84,255,991)	(31,092,080)
Additional advances to related parties	23	(11,485,601)	(3,489,752)
Acquisitions of computer software	14	(7,914,495)	(6,370,995)
Interest received		35,506,484	17,644,504
Investments in associates	10	-	15,531,247
Net Cash Used in Investing Activities		<u>(318,389,199)</u>	(1,085,155,201)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of interest-bearing loans	15	11,730,955,486	5,673,848,737
Repayments of interest-bearing loans	15	(5,280,539,576)	(1,811,682,107)
Interest paid on interest-bearing loans		(787,485,101)	(545,982,850)
Additional investment from non-controlling shareholders	24	632,500,001	-
Cash dividends paid	24	(424,795,000)	(332,590,000)
Repayments of lease liabilities	12	(67,376,103)	(7,538,572)
Interest paid on lease liabilities	12	(40,610,089)	(42,461,428)
Acquisition of treasury stock	24	(473,739,016)	(18,967,247)
Net Cash From Financing Activities		<u>5,288,910,602</u>	2,914,626,533
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,343,916,940	(118,154,303)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>917,170,651</u>	<u>949,161,931</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>P 2,261,087,591</u>	<u>P 831,007,628</u>

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

1. CORPORATE INFORMATION

1.1 General

Cebu Landmasters, Inc. (the Parent Company or CLI) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 26, 2003. CLI is presently engaged in real estate-related activities such as real estate development, sales, leasing and property management. Its real estate portfolios include residential condominium units, subdivision house and lots, and townhouses as well as office projects and retail spaces.

On January 6, 2017, the Board of Directors (BOD) approved CLI's application for the registration of 1,714 million of its common shares with the SEC and application for the listing thereof in the Philippine Stock Exchange (PSE). The BOD's approval also covered the planned initial public offering (IPO) of 430 million unissued common shares of CLI. CLI's shares were listed in the Philippine Stock Exchange on June 2, 2017.

In 2016, A B Soberano Holdings Corp. (ABS), formerly A B Soberano International Corporation, one of CLI's stockholders, assumed control of CLI by acquiring additional 400,000,000 shares of CLI and became the parent company of CLI.

ABS is a holding company and is incorporated and domiciled in the Philippines. The registered office and principal place of business of ABS is located at 2nd Street Villa San Lorenzo, Quijada Street, Barangay Guadalupe, Cebu City.

The registered office address of CLI, which is also its principal place of business, is located at 10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu IT Park, Brgy. Apas, Cebu City, Philippines.

1.2 Subsidiaries and Associates

CLI holds ownership interests in the following subsidiaries and associates:

	Note	Effective Percentage of Ownership	
		2020	2019
<i>Subsidiaries</i>			
CLI Premier Hotels Int'l. Inc. (CPH)	(a)	100	100
Cebu Landmasters Property Management, Inc. (CPM)	(b)	100	100
A.S. Fortuna Property Ventures, Inc. (ASF)	(c)	100	100
BL CBP Ventures, Inc. (BL Ventures)	(d)	50	50
Yuson Excellence Soberano, Inc. (YES)	(e)	50	50
Mivesa Garden Residences, Inc. (MGR)	(f)	45	45
Yuson Huang Excellence Soberano, Inc. (YHES)	(g)	50	50
YHEST Realty and Development Corporation (YHEST)	(h)	50	50
CCLI Premier Hotels, Inc. (CCLI)	(i)	50	50

(Forward)

	Note	Effective Percentage of Ownership	
		2020	2019
El Camino Developers Cebu, Inc. (El Camino)	(j)	35	35
Cebu Homegrown Developers, Inc. (CHDI)	(k)	50	50
YHES Premier Hotel Inc. (YHESPH)	(l)	50	50
Cebu BL-Ramos Ventures Inc. (CBLRV)	(m)	50	–
GGTT Realty Corporation (GGTT)	(n)	50	–
<i>Associates</i>			
Magspeak Nature Park Inc. (Magspeak)	(o)	25	25
Ming-mori Development Corporation (MDC)	(p)	20	20

CLI and its subsidiaries (collectively known as the “the Group”) and its associates are incorporated in the Philippines and, except CPM, CPH and CCLI, are in the same line of business with CLI. A brief description of these entities follows:

- (a) CPH was incorporated in 2016 as a wholly-owned subsidiary of the CLI. CPH is engaged in the real estate and hotel management business which started commercial operations on September 14, 2019. The principal place of business of CPH is located at Cebu City;
- (b) CPM was incorporated in 2017 as a wholly-owned subsidiary of the CLI. CPM is engaged in the management of condominium corporations and housing associations affiliated with CLI. CPM has started commercial operations on September 1, 2017. The principal place of business of CPH is located at Cebu City;
- (c) ASF was incorporated in 2017 as a joint venture where CLI initially holds 40% ownership interest. CLI acquired all the ownership interest of its business partners at the end of 2017 which made ASF its wholly-owned subsidiary as of December 31, 2017. The principal place of business of ASF is located at Cebu City;
- (d) BL Ventures was formed by CLI and Borromeo Bros. Estate, Inc. (BBEI) to construct and operate Latitude Corporate Center. The principal place of business of BL Ventures is located at Cebu City;
- (e) YES was formed by CLI and Yuson Comm. Investments, Inc. to construct and operate Messatiera Garden Residences in Davao. The principal place of business of YES is located at Davao City;
- (f) MGR was incorporated in 2017 as an undertaking by CLI and three corporations for the construction of Mivesa Garden Residences buildings 6 and 7. The principal place of business of MGR is located at Cebu City;
- (g) YHES was incorporated in 2017 as an undertaking among CLI, Yuson Strategic Holdings, Inc., and Davao Filandia Realty Corp. for the development of mixed-used real estate project, the Paragon Davao. The principal place of business of YHES is located at Davao City;
- (h) YHEST was incorporated in 2018 as an undertaking among CLI and five corporations for the development of a central business district located at Matina, Davao. The principal place of business of YHEST is located at Davao City;

- (i) CCLI was incorporated in 2018 as an undertaking between CLI and Capitaine, Inc. for the development of Citadines hotel in Bacolod City and is managed by Ascott. The principal place of business of CCLI is located at Bacolod City;
- (j) El Camino was incorporated in 2016 as an undertaking between CLI and four other corporations for the development of 38 Park Avenue condominium project in Cebu City. The principal place of business of El Camino is located at Cebu City;
- (k) CHDI is an undertaking between CLI and Aboitiz Land, Inc. and is engaged in the development of a high-rise mixed-use condominium complex in Mandaue City, Cebu. CHDI was incorporated on December 5, 2019 and its principal place of business is located at Cebu City;
- (l) YHESPH was incorporated on October 28, 2019 as a wholly-owned subsidiary of YHES and is engaged in the hotel business. Its ultimate parent is CLI which owns 50% of YHES. As at September 30, 2020, YHESPH has not started commercial operations;
- (m) CBLRV was incorporated on February 21, 2020 as an undertaking between CLI and BBEI and is engaged in the development of a mixed-use condominium tower in Cebu City. Its principal place of business also is located in Cebu City;
- (n) GGTT was incorporated on March 26, 2003 with principal place of business located in Iloilo City. On June 16, 2020, CLI acquired 50% ownership in GGTT to obtain a controlling interest in the company. GGTT is engaged to construct a residential condominium project in Iloilo City.
- (o) Magspeak was incorporated in 2011 as an undertaking among CLI and four other corporations for the development of a mountain resort to be located in Balamban, Cebu. The principal place of business of Magspeak is located at Cebu City; and,
- (p) MDC was incorporated in 2013 as an undertaking between CLI and four other entities for the development of an economic business district. The principal place of business of MDC is located at Cebu City.

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. These 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 (IASB), 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 Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents consolidated statement of comprehensive income separate from the consolidated statement of profit or loss.

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.

(c) Functional and Presentation Currency

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

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2020 that are Relevant to the Company

The Group adopted for the first time the following PFRS interpretation and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

PAS 1 (Amendments)	:	Presentation of Financial Statements
PAS 8 (Amendments)	:	Accounting Policies, Changes in Accounting Estimate and Errors
Revised Conceptual Framework for Financial Reporting		
PAS 28 (Amendments)	:	Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture
PFRS 10 (Amendments)	:	Consolidated Financial Statements
PFRS 16 (Amendments)	:	COVID-19-Related Rent Concessions

Discussed below are the relevant information about these standards, interpretations and improvements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimate and Errors – Definition of Material*. The amendments provide a clearer definition of ‘material’ in PAS 1 by including the concept of ‘obscuring’ material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity’s own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term ‘material’ to ensure consistency.
- (ii) Revised Conceptual Framework for Financial Reporting. The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

- (iii) 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.

(iv) PFRS 16 (Amendments), *COVID-19-Related Rent Concessions*. The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and,
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Group adopted the amendments beginning January 1, 2020 and did not have a significant impact on the Group.

(b) *Effective Subsequent to 2020 but not Adopted Early*

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2020, 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 Company's financial statements:

(c) *SEC Memorandum Circulars in Relation to Adoption of PFRS 15 in 2018*

Relative to the adoption of PFRS 15, Revenue from Contracts with Customers, together with the Clarifications to PFRS 15 in 2018, the SEC issued the following Memorandum Circulars (MC), which provided relief by deferral of the application on the following items until calendar year ending December 31, 2020:

- SEC MC No. 14, Series of 2018:
 - Concept of the significant financing component in the contract to sell, which is the adjustment for the time value of money due to higher payment [buyer pays ahead of the percentage of completion (POC)] and lower payment (POC is ahead of the buyer's payment);
 - Exclusion of land in the determination of POC; and,
 - Exclusion of the uninstalled materials in the determination of POC
- SEC MC No. 3, Series of 2019:
 - Accounting for common usage service area charges; and,
 - Accounting for cancellation of real estate sales

- SEC MC No. 4, Series of 2020:
 - IFRIC agenda decision on over time transfer of constructed goods for real estate industry which clarify that borrowing costs on inventory for unsold units under construction are not capitalized

The Group opted to avail of the relief provided by the foregoing MCs, except for the exclusion of land in the determination of POC and accounting for common usage service are charges which were adopted on January 1, 2018. Upon the expiration of said relief, the following are the expected impact on the consolidated financial statements:

- Had the concept of significant financing component been adopted in 2018, the Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser, thus it would have either decreased or increased revenues, as the case may be. Both interest income and expense are calculated using the effective interest rate method.
- There would have been a decrease in the POC applied in recognizing revenue from real estate sales had the exclusion of the uninstalled materials in computing the POC been applied in 2018. Had it been applied in 2018, POC would have decreased in 2020, 2019 and 2018 resulting in decrease in revenues in the same periods.
- In relation to the accounting for cancellation of real estate sales, repossessed inventory would have been recorded at either fair value plus repossession costs or fair value less repossession costs. The Group currently records repossessed inventory at its carrying amount and recognize in profit or loss the difference between the carrying amount of the repossessed inventory and receivable. Had it been applied in 2018, real estate inventories would have increase in 2020, 2019 and 2018 resulting in increase in other operating income in these years.
- Had the Group adopted SEC MC No. 4, Series of 2020, there would have been a decrease in the retained earnings balance as at January 1, 2019 and net profit in 2019. Under the MC, borrowing costs cannot be capitalized on unsold real estate inventories.

Management is currently monitoring and assessing the impact of the foregoing MCs when adopted in 2021.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company, and its subsidiaries, 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 Parent Company, using consistent accounting principles.

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

(a) Investments in Subsidiaries

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

(b) Investments in Associates

Associates are those entities over which the Parent Company is able to exert significant influence but 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 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 consolidated financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the equity in net earnings (losses) of associates under Other Losses in the consolidated statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company 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.

(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 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.

2.4 Business Combination

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 2.17).

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 the 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.

2.5 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: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

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. The Group's financial assets is composed of 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, Receivables (excluding Advances to officers and employees), Due from Related Parties and Other Non-current Assets in respect of the refundable deposits included therein.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

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 on financial assets measured at amortized cost is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The Company calculates interest income 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 and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Interest income earned is recognized in the statement of profit or loss as part of Finance Income.

(b) Impairment of Financial Assets

The Group assesses and recognizes an allowance for expected credit losses (ECL) on its financial assets measured at amortized cost. The measurement of the ECL involves consideration of broader range of information in assessing credit risk, including past events (e.g., historical credit loss experience) and current conditions, adjusted for forward-looking factors specific to the counterparty or debtor and the economic environment that affect the collectability of the future cash flows of the financial assets. ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial assets.

The amount of allowance for ECL is updated at the end of each reporting period to reflect the changes in credit risk of the financial asset since initial recognition. In assessing the credit quality of a financial asset, the Group assesses whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset

between the reporting date and the date of the initial recognition. In determining whether the financial asset is in default, which is aligned with the definition of credit-impaired, the Group considers both quantitative and qualitative criteria as further discussed in Note 27.2(b).

The amount of allowance for ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of any collateral held or other credit enhancements that are integral to the contractual terms.

The Group assesses impairment of receivables and contract assets on a collective basis based on shared credit risk characteristics of financial assets. The Group determines the ECL for receivables and contract assets by applying a method that evaluates the credit quality of a portfolio of receivables and contract assets and the cumulative loss rates by analyzing historical net charge-offs arising from cancellations and back-out sale for homogenous accounts that share the same origination period.

For other credit exposures such as due from related parties and refundable deposit, ECLs are recognized in two stages. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within the next 12-months (12-month ECL). When there has been a significant increase in credit risk on a financial asset 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 (lifetime ECL). For deposits in cash and cash equivalents, the Group applies the low credit risk simplification and measures the ECL on the financial assets based on a 12-month basis unless there has been a significant increase in credit risk since origination, in that case, the loss 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 a counterparty defaulting of its financial obligation over a given time horizon, either over the next 12 months or over the remaining lifetime of the obligation.
- *Loss given default* – it is an estimate of loss related to the amount that may not be recovered after the default occurs. It is based on the difference between the contractual cash flows due in accordance with the terms of the instrument and all the cash flows that the Group expects to receive. For receivables and contract assets, this include cash flows from resale of repossessed real estate properties, net of direct costs of obtaining and selling the properties such as commission, refurbishment, and refund payment under Republic Act (RA) 6552, Realty Installment Buyer Protection Act or Maceda law.
- *Exposure at default* – it represents the gross carrying amount of the financial assets in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(c) 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.

2.6 Real Estate Inventory

This pertains to cost of land and development costs of real estate properties that are being developed, and those that are already available for sale. Interest incurred during the development of the project is capitalized (see Note 2.15).

Cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date.

Real estate inventory is valued at the lower of cost and net realizable value. Net realizable value (NRV) is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The effect of revisions in the total project cost estimates is recognized in the year in which these changes become known. Any probable loss from a real estate project is charged to current operations when determined.

2.7 Deposits on Land for Future Development

Deposits on land for future development pertain to advance cash payments made to sellers of properties purchased by the Group but title over the properties have not yet been transferred to the Group. Once sale is consummated which is usually within 12 months from the date the deposit is made, such advance payments are applied to the full amount of the contract price and debited to either Real Estate Inventory or Investment Property account.

The Group presents land for future development that are intended for subdivision and condominium for sale under current assets while those that are intended for commercial leasing or with no definite plans as non-current assets in the consolidated statement of financial position.

2.8 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 are classified as part of non-current assets.

2.9 Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and amortization 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. Cost also includes capitalized borrowing costs (see Note 2.15).

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

Buildings	20 years
Transportation equipment	5 years
Office equipment	3-5 years
Furniture and fixtures	2-5 years

Leasehold improvements are amortized over the useful life of the improvements of 10 years or the lease term, whichever is shorter.

Construction-in-progress is not depreciated until the completion of the constructed asset.

Fully-depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and 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 2.17).

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 and amortization, and impairment losses, if any, 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 profit or loss in the year the item is derecognized.

2.10 Investment Properties

Investment properties are completed and under construction or development properties that are held to earn rental income, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Cost of the asset includes cost of construction and capitalized borrowing costs (see Note 2.15).

Investment properties are carried at cost, net of accumulated depreciation, except for land which is not subjected to depreciation, and any impairment in value. Depreciation of investment properties that are subject to depreciation is computed using the straight-line method over the estimated useful lives of the assets of 20 years.

Construction in progress represents properties under construction and is stated at cost. This includes costs of construction, applicable borrowing costs (see Note 2.15) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (Note 2.17).

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal.

2.11 Financial Liabilities

Financial liabilities, which include interest-bearing loans and trade and other payables [except government-related obligations, advance rental and deferred output value-added tax (VAT) and output VAT], are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability, except those that are capitalized, are recognized as Finance Costs in the consolidated statement of profit or loss.

Interest-bearing loans are raised for support of funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss 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.

Trade and other payables 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.

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.

2.12 Offsetting 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 a 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 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 pretax 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 of the Group arises mainly from the sale of real estate units, hotel operations, lease of property and rendering of management services. However, lease of property is accounted for separately (see Note 2.16).

The Group follows the five-step process below to when it recognizes revenue.

- (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.

A contract with a customer is identified when the following five gating criteria are present:

- (i) the parties to the contract have approved the contract either in writing or in accordance with the customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) 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,
- (v) 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:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (iii) 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 significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1 *(b)*. 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 as revenue as the Group's contracts with customers have original expected duration of one year or less.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1 *(b)*]:

- (a) Sale of real estate units* – Revenue from the sale of real estate units are recognized as the control transfers at either over time for units sold under pre-completed contracts or at a point in time for ready for occupancy (RFO) units, provided that the collectability of the contract price is reasonably assured. Invoicing for real estate sales are based on the agreed amortization schedule by the Group and the buyer.

When the price gating criteria of the revenue recognition has not been met, including assessment that collectability of the contract price is not yet assured, the consideration received from buyers are accounted as Customers' Deposits which is presented under current liabilities in the consolidated statements of financial position.

Subsequent cancellations of prior year sales are deducted from real estate sales and the related costs in the year in which such cancellations are made.

For tax reporting purposes, the taxable income for the year is based on the provisions of Section 49 of the National Internal Revenue Code (NIRC), as amended, which governs installment sales. Under the NIRC, revenue on sale and cost of real estate sold are recognized in full when the initial payments collected in the year of sale exceed 25% of the selling price; otherwise, revenue and cost of real estate sold are recognized based on the collections.

- (b) *Rendering of management services* – Revenue from the rendering of management services is recognized over time as the services are provided to the client entities, which consume the benefit as the Group performs. The client entities are invoiced monthly as work progresses, which are also due upon receipt by them. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as part of contract receivables as only the passage of time is required before payment of these amounts will be due.
- (c) *Hotel operations* – Revenues are recognized over time during the occupancy of hotel guest and ends when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.

The Group presents a contract asset when the value of property development performed in proportion to the contract price is greater than the consideration received. A contract asset is the Group's right to consideration in exchange for the performance of property development to the unit transferred to a customer.

A contract receivable is an entity's right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group presents a contract liability when a customer pays the consideration, or a Group has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Group transfers control of an RFO unit or performs property development. A contract liability is the Group's obligation to transfer goods or perform property development for a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

When the Group incurs incremental costs of obtaining a contract with a customer that it would not have incurred should the contract had not been obtained and expects these costs to be recovered, such contract costs are recognized as an asset. On the other hand, costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards (see Notes 2.6 and 2.10).

Until December 31, 2017, the Group recognizes revenues based on the provisions of PAS 18 which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Group. Specifically, for sale of goods, revenues were recognized when the risks and rewards

of ownership of the goods have passed to the buyer. For rendering of services, revenue is recognized by reference to the stage of completion, measured by reference to the labor hours incurred to date as a percentage of total estimated labor hours for each contract. This is generally when the customer has approved the services that have been provided. Where the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.15).

2.15 Borrowing Costs

Borrowing costs are recognized in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production 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 cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs 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.

As indicated in Note 2.2(c), the Group opted for the deferral of the adoption of IFRIC agenda decision on over time transfer of constructed goods for real estate industry, as allowed used SEC MC No. 4, Series of 2020, thus, it continues to capitalize borrowing cost related to its real estate development.

2.16 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.17).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented separately from property and equipment and other liabilities, respectively.

(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 in profit or loss on a straight-line basis over the lease term.

2.17 Impairment of Non-financial Assets

The Group's property and equipment, right-of-use assets, investment properties, investment in associates, computer software and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets 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, assets are tested for impairment either individually or at the 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.

2.18 Employee Benefits

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

(a) 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, which became effective on January 1, 2015, covers all regular full-time employees. The pension plan is noncontributory and administered by a trustee.

The liability recognized in the consolidated 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 Bloomberg using its valuation technology, Bloomberg valuation (BVAL) in 2018, and Philippine Dealing & Exchange Corp. in 2017, 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 provides evaluated prices that are based on 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 net 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 in the consolidated statement of profit or loss.

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

(b) 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 (i.e., Social Security System). 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 or 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.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Performance Bonus

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) 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 the 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.

2.19 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 the reporting period. They are calculated using 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 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 carry-

forward 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 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 tax asset to be utilized.

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in 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 within the Group.

2.20 Related Party Relationships and Transactions

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 Group; (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.

For purposes of reporting of material related party transactions for publicly-listed companies to the SEC, transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with the related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote to approve the material related party transactions may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of ten 10% of the Group's total assets based on the latest audited consolidated financial statements, the same board approval would be required for the transactions that meets and exceeds the materiality threshold covering the same related party.

2.21 Segment Reporting

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

In identifying its operating segments, management generally follows the Group's geographical location, which represent the main products and services provided by the Group.

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 post-employment benefit expenses 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.

2.22 Equity

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

Additional paid-in capital represents the proceeds in excess of the par value of shares issued less directly attributable costs in relation to the issuance of the shares.

Treasury shares represent the shares that are re-acquired by the Parent Company at cost but are not cancelled shares.

Revaluation reserves comprise gains and losses arising from the remeasurements of post-employment defined benefit plan.

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, reduced by the amounts of dividends declared. Appropriated retained earnings are retained earnings that have been set aside by the Group for specific purpose and are not available for dividend declarations.

Non-controlling interest (NCI) represents equity in consolidated entities that are not attributable, directly or indirectly to the Parent Company. This increases by equity investments from non-controlling shareholders, share in profit or loss and share in each component of other comprehensive income in the consolidated entities. This decreases by dividends declared to non-controlling shareholders.

The Group adjusts the carrying amount of NCI to reflect the changes in their relative interests in the consolidated entities when the proportion of the equity held by NCI changes. The Group directly recognize in equity any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received, and attribute it to the shareholders of the Parent Company.

2.23 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Parent 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. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

2.24 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated 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 the 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 differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of land and office space, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Determination of Timing of Satisfaction of Performance Obligations

(i) Performance of Property Development on Real Estate Units Sold Under Pre-completed Contracts

The Group determined that its revenue from property development on condominium and subdivision units sold under pre-completed contracts shall be recognized over time. In making its judgment, the Group considered that it has no

alternative use to the real estate unit sold and that it has right to the consideration as it performs property development. The Group performs the property development without the need of reperformance from other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's performance of property development as construction progresses.

In determining the best method of measuring the progress of the Group's performance of property development, management considers the input method under PFRS 15 because of the direct measurements of the value to the customer of the property development to date relative to the promised unit under the contract.

(ii) Sale of RFO Real Estate Units

The Group determines that its revenue from sale of RFO units shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

(c) Determination of Collection Threshold for Revenue Recognition

The transaction price is considered receivable to the extent of products sold with a right of return. Such variable consideration is estimated based on the method described on Note 3.1(d). Moreover, the Group considers the collectability of the total transaction price to be reasonably assured. In determining whether total transaction price is collectible, the Group considers the paying capacity of the buyer and an initial and continuing investment by the buyer of a certain percentage of the contract price would demonstrate the buyer's commitment to fulfil the obligations of the Group. Management's evaluation of historical and expected sales cancellation rate is a very important factor in its determination of the appropriate collection rate that it uses as benchmark in determining that collection is reasonably assured. Management regularly assess the factors that it considers in determining that collection is reasonably assured to adjust to changing times and circumstances.

Major changes in management's assumptions or its failure to make the right judgment could potentially have a significant impact on the consolidated financial statements.

(d) Assessment Involving Right of Return

The Group's sale of real estate under pre-completed contracts has variable consideration which is the right of return when a buyer defaulted the equity payments. Moreover, Republic Act No. 6552, *Realty Installment Buyer Act* or which is popularly known in the Philippines as the Maceda Law, provides a statutory obligation to the Group to refund the buyer the cash surrender value of the collections received on the property equivalent to fifty percent of the total collected amount, and, after five years of installments, an additional five per cent every year but not to exceed ninety percent of the total collections received.

Management is confident that when the collections received from the buyers exceed a certain threshold, it would be remote that the buyer will default and the contract will be cancelled. Accordingly, as discussed in Note 2.14 to the consolidated financial statements under identification of contract, the Group will not recognize the whole contract and no revenue will be recognized when the threshold is not yet reached.

(e) Determination of ECL on Receivables and Contract Assets

The Group uses the cumulative loss rate approach to calculate ECL for receivables and contract assets. This approach considers and includes reasonable approximation of probable and estimable future losses determined by applying historical gross charge-off information (arising from cancellations and back-out sales) to forward-looking qualitative information (i.e., forecast of economic condition). While there may be an assessed default occurring in these receivables over the term of the instrument, the amount of required allowance for ECL is minimized since the legal title related to the unit sold will only be transferred once the contract receivable has been paid in full, and the Group has the right to recover the real estate properties covered by the contract with customer through repossession, and to resell the asset at an amount sufficient to cover the unpaid outstanding obligations. On the other hand, additional ECL may be calculated for certain pool of trade receivables specifically determined to have expected cash shortfall based on outstanding exposures. These generally arise from receivables which were charged-off at an earlier term of the instrument since origination period.

(f) Distinction Between Investment Properties 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 operations.

(g) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a 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. Currently, its leases are all operating leases.

(h) Accounting for Equity Ownership Interest in Subsidiaries and Associates

In classifying its equity acquisitions as an investment in a subsidiary or associates, the Group evaluates whether control or significant influence exists. Control is present when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policy decisions.

The Parent Company was able to demonstrate control over the operations of CBLRV and GGTT (in 2020), CHDI and YHESPH (in 2019), YHEST and CCLI (in 2018), MGR and YHES (in 2017), and BL Ventures, El Camino and YES (in 2016), from the time of their incorporation as indicated. It had able to demonstrate control over the operations of its investees despite having its shareholdings at 50% or less on its investees by virtue of a formal agreement among the shareholders of the investees. Accordingly, these companies are accounted for as subsidiaries of the Parent Company.

(i) *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 to the consolidated financial statements and disclosures on relevant contingencies are presented in Note 26 to the consolidated financial statements.

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) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL of the Group's financial assets which are all carried at amortized cost and at FVOCI 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). Management also applies judgement in the estimation of the contractual cash flows due from counterparties that the Group would expect to receive from the realization of any credit enhancements, including the discounting factor for recoveries beyond one year. Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 27.2(b).

(c) *Determination of Net Realizable Value of Real Estate Inventory*

In determining the net realizable value of real estate inventory, management takes into account the most reliable evidence available at the dates the estimates are made. The future realization of the carrying amounts of real estate inventory as presented in Note 7, 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 real estate inventory within the next financial reporting period.

Considering the Group's pricing policy, the net realizable values of real estate inventory for sale are determined to be higher than their related costs.

(d) *Estimation of Useful Lives of Property and Equipment, Investment Properties and Right-of-use Assets*

The Group estimates the useful lives of property and equipment, investment properties and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets 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, investment properties and right-of-use assets are analyzed in Notes 11, 12 and 13, respectively. Based on management's assessment as at September 30, 2020 and December 31, 2019, there is no change in estimated useful lives of these assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned.

(e) Impairment of Non-financial Assets

In assessing impairment, 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 (see Note 2.17).

Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management assessed that no impairment loss is required to be provided on its significant non-financial assets, particularly property and equipment, right-of-use assets and investment properties, as at September 30, 2020 and December 31, 2019.

(f) Valuation of Post-employment Defined Benefit Obligation

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

(g) Fair Value Measurement for Investment Properties

Investment properties are measured using the cost model. The fair value of investment property held for capital appreciation disclosed in the consolidated financial statements is determined by the Group based on the appraisal reports of a professional and independent appraiser. The fair value is determined by reference to market-based evidence, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Such amount is influenced by different factors including the location and specific characteristics of the property, quantity of comparable properties in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets being disclosed. The fair value the Group's investment properties as at December 31, 2019 is disclosed in Note 28.3.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating segments 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's real estate segment covers the development and sale of residential and office units to individual and corporate buyers. The hotel operations segment relates to the management of hotel business operations that caters hotel guests. The rental segment includes leasing of office and commercial spaces. The management services segment focuses on the management of real estate projects and upkeep services to condominium corporations and housing associations.

Segment accounting policies are the same as the policies described in Note 2.21. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, real estate inventories, property and equipment, and investment properties, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation, if any.

4.4 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the periods ended September 30, 2020 and 2019 and certain assets and liabilities information regarding segments as at September 30, 2020 and 2019:

2020

	Real Estate	Hotel Operations	Rental	Management Services	Elimination	Consolidated
REVENUES						
Sale to external customers	₱5,583,223,660	₱49,336,918	₱44,540,706	₱32,081,279	₱-	₱5,709,182,563
Intersegment sales	27,259,461	-	7,078,481	29,174,085	(63,512,027)	-
Total revenues	5,610,483,121	49,336,918	51,619,187	61,255,364	(63,512,027)	5,709,182,563
COSTS AND EXPENSES						
Costs of sales and services	2,903,648,541	16,816,569	15,638,001	11,346,467	(19,814,105)	2,927,635,473
Operating expenses	898,003,666	39,858,363	4,737,138	1,629,216	(41,836,315)	902,392,068
Total costs and expenses	3,801,652,207	56,674,932	20,375,139	12,975,683	(61,650,420)	3,830,027,541
Segment results	₱1,808,830,914	(₱7,338,014)	₱31,244,048	₱48,279,681	(₱1,861,607)	₱1,879,155,022

(Forward)

	Real Estate	Hotel Operations	Rental	Management Services	Elimination	Consolidated
Other operating income						45,924,156
Finance costs						(41,582,634)
Finance income						35,506,484
Share in net loss of associates						(825,465)
Other losses						(191,929)
Tax expense						(219,527,483)
Net profit						₱1,698,458,151

ASSETS AND LIABILITIES

Segment assets	₱42,748,983,264	₱331,065,004	₱10,988,311,974	₱21,657,642	(₱4,909,153,467)	₱49,180,864,417
Segment liabilities	₱32,946,107,076	₱120,235,158	₱20,785,354	₱7,148,594	(₱348,689,233)	₱32,745,586,949
Deferred tax liabilities	1,290,807,968	-	-	-	(26,297,231)	1,264,510,737
Total liabilities	₱34,236,915,044	₱120,235,158	₱20,785,354	₱7,148,594	(₱374,986,464)	₱34,010,097,686

2019

	Real Estate	Hotel Operations	Rental	Management Services	Elimination	Consolidated
REVENUES						
Sale to external customers	₱5,873,782,471	₱314,082	₱46,717,538	₱26,861,202	₱-	₱5,947,675,293
Intersegment sales	38,379,262	-	-	29,860,830	(68,240,092)	-
Total revenues	5,912,161,733	314,082	46,717,538	56,722,032	(68,240,092)	5,947,675,293
COSTS AND EXPENSES						
Costs of sales and services	3,010,991,414	313,198	14,442,376	8,436,957	(18,361,936)	3,015,822,009
Operating expenses	766,772,801	1,557	936,216	217,389	(29,860,831)	738,067,132
Impairment loss	30,180,265	-	-	-	-	30,180,265
Total costs and expenses	3,807,944,480	314,755	15,378,592	8,654,346	(48,222,767)	3,784,069,406
Segment results	₱2,104,217,253	(₱673)	₱31,338,946	₱48,067,686	₱20,017,325	2,163,605,887
Other operating income						49,195,813
Finance costs						(64,673,193)
Finance income						17,644,504
Share in net loss of associates						(275,325)
Other gains (losses)						(37,642)
Tax expense						(226,700,859)
Net profit						₱1,938,759,185

ASSETS AND LIABILITIES

Segment assets	₱29,234,732,722	₱12,249	₱6,539,831,178	₱12,362,057	(₱3,132,713,404)	₱32,654,224,802
Segment liabilities	₱19,148,104,155	₱-	₱-	₱-	(₱109,211,316)	₱19,038,892,839
Deferred tax liabilities	696,681,422	-	-	-	(20,926,151)	675,755,271
Total liabilities	₱19,844,785,577	₱-	₱-	₱-	(₱130,137,467)	₱19,714,648,110

The real estate segment is further analyzed based on their geographical location as shown in Note 17.1 of the consolidated financial statements. Both rental and management services segments are located in Cebu City.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	September 30, 2020	December 31, 2019
Cash on hand	₱4,405,973	₱3,915,691
Cash in banks	864,137,370	749,160,824
Short-term placements	1,392,544,248	164,094,136
	₱2,261,087,591	₱917,170,651

Cash in banks (savings and demand deposits) generally earn interest at rates based on daily bank deposit rates. Short-term placements are made for varying periods up to 31 days and earn effective interest ranging from 1.19% to 2.20% per annum for all years.

Interest income earned from cash and cash equivalents amounted ₱5,858,523 and ₱17,644,504 as at September 30, 2020 and 2019, respectively, are presented as Finance Income in the consolidated statements of Profit or Loss.

6. RECEIVABLES

This account includes the following:

	Note	September 30, 2020	December 31, 2019
Installment contracts receivable			
Third parties		₱5,581,455,875	₱5,389,904,540
Related parties	23	169,272,502	166,101,518
		5,750,728,377	5,556,006,058
Retention receivable		61,493,325	24,261,678
Rent receivable		45,647,513	68,073,716
Advances to officers and employees		45,384,226	30,365,863
Management fee receivables		31,256,320	13,465,493
Receivables from hotel operations		16,991,801	-
Loans to employees		14,911,950	20,102,085
Others		153,169,115	164,136,262
		6,119,582,627	5,876,411,155
Allowance for impairment		(348,217)	(348,217)
		₱6,119,234,410	₱5,876,062,938

Receivables are presented in the consolidated statements of financial position as follows.

	September 30, 2020	December 31, 2019
Current	₱5,949,293,420	₱5,204,137,996
Non-current	169,940,990	671,924,942
	₱6,119,234,410	₱5,876,062,938

Buyers of real estate properties are given two to three years to complete the amortization of their equity down payment which ranges from 10% to 20% of the contract price of the real estate being purchased. Contract receivables, which are all covered by post-dated checks, are only recognized when the total transaction price is reasonably assured. Generally, full payment by buyers of their equity payments is made within 24 to 48 months following the recognition of sale which is then followed by full settlement by the buyer's chosen financing institution of the buyer's account. Title to real estate properties are transferred to the buyers once full payment has been made.

Long-term contract receivables, which are noninterest-bearing, are receivables from buyers whose equity payments are expected to be fully paid after 12 months following the end of the reporting period. These are measured at amortized cost which is determined by discounting future cash flows using the applicable rates of similar types of instruments. The aggregate unamortized discount on noninterest-bearing contract receivables amounts to ₱4,068,255 and ₱33,222,449 as at September 30, 2020 and December 31, 2019, respectively.

Shown below is the aging of contract receivables.

	September 30, 2020	December 31, 2019
Not yet due	₱5,475,221,226	₱5,207,021,539
Less than 30 days	84,146,813	114,691,048
More than 30 days but less than 60 days	40,449,126	47,620,988
More than 60 days but less than 90 days	27,289,201	33,164,072
More than 90 days but less than 120 days	22,702,982	60,115,391
More than 120 days	100,919,029	93,393,020
	₱5,750,728,377	₱5,556,006,058

Retention receivable represents amounts retained by Home Development Mutual Fund (HDMF) from the proceeds of loans availed by real estate buyers in accordance with HDMF Circular No. 182-A to pay off their obligations to the Group.

Advances to officers and employees are composed of advances subject to liquidation.

Loans to employees are personal loans such as medical loans and emergency cash loans which has a term of less than one year. These are unsecured and noninterest-bearing loans that are settled through salary deduction.

The Group assesses an expected credit loss when the receivables from contract with customers are initially recognized and update the assessment at each reporting date based on the provisional matrix determined by management. A reconciliation of the allowance or impairment for contract receivables as at September 30, 2020 and December 31, 2019 is shown below.

	September 30, 2020	December 31, 2019
Balance at beginning of year	₱348,217	₱20,352,667
Changes in expected credit losses	-	(20,004,450)
Balance at end of year	₱348,217	₱348,217

7. REAL ESTATE INVENTORIES

This account includes the following inventories carried at cost, which are lower than their NRV.

	September 30, 2020	December 31, 2019
Subdivision units	₱815,935,432	₱876,676,564
Condominium units	298,372,449	811,662,344
	1,114,307,881	1,688,338,908
Construction in progress		
Land development cost	4,217,149,978	2,883,486,160
Condominium building cost	2,372,934,207	2,377,186,221
Housing cost	752,257,077	369,214,409
	6,995,892,483	5,629,886,790
Raw land inventory	2,949,606,652	2,128,727,220
	₱11,406,255,795	₱9,446,952,918

An analysis of the cost of real estate inventory included in cost of sales is presented in Note 18 to the consolidated financial statements.

Land development costs pertain to the cost of land acquisition, and site development costs of subdivision projects and other future site projects of the Group.

Condominium building costs consist of the cost of land and the cost to construct the units of the vertical projects of the Group.

Housing costs pertain to the cost of house construction for the horizontal projects of the Group.

Raw land inventory consists of parcels of land owned by the Group that are located in various locations. These are expected to be developed into saleable condominium or subdivision units. In 2020 and 2019, the Group reclassified deposits on land for future development amounting to ₱1,238,926,353 and ₱4,664,764,665, respectively, to raw land inventory, for payments applied on land acquisitions that were consummated (see Note 8).

Borrowing costs capitalized as part of real estate inventory amounted to ₱152,741,537 and ₱802,545,130 in 2020 and 2019, respectively, which represents the general and specific borrowing costs incurred on loans and corporate notes obtained to fund the Company's construction projects. Capitalization rate used for general borrowings ranged from 3.72% to 6.50% for the year ended December 31, 2019.

In 2020, the Group reclassified real estate inventories totaling ₱1,830,441,726 to investment properties. In 2019, the Group reclassified investment properties totaling ₱100,474,287 to real estate inventories (see Note 13).

Real estate inventories amounting to ₱5,597,148,490 and ₱9,119,780,130 as at September 30, 2020 and December 31, 2019, respectively, are used as collateral for certain interest-bearing loans of the Group (see Note 15.1).

8. DEPOSITS ON LAND FOR FUTURE DEVELOPMENT

This account pertains to advance payments for acquisitions of certain parcels of land which are intended for future development into saleable or leasable real estate projects.

A reconciliation of the deposits on land for future development is presented below.

	Note	September 30, 2020	December 31, 2019
Balance at beginning of year		₱1,289,398,997	₱1,754,763,446
Additions		866,655,597	5,324,158,749
Transferred to raw land inventory	7	(1,238,926,353)	(4,644,764,665)
Transferred to investment properties		–	(1,144,758,533)
Balance at end of year		₱917,128,241	₱1,289,398,997

The deposits on land for future development is presented in the consolidated statements of financial position as follows:

	September 30, 2020	December 31, 2019
Current	₱719,271,330	₱1,289,398,997
Non-current	197,856,911	–
	₱917,128,241	₱1,289,398,997

9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account includes the following:

	September 30, 2020	December 31, 2019
Advances to subcontractors	₱1,365,454,691	₱698,243,154
Input VAT and deferred input VAT	927,349,107	518,266,344
Prepaid commission	846,230,065	546,134,504
Advances to suppliers	365,156,721	353,197,037
Prepaid expenses	71,401,277	131,725,809
Prepaid taxes	29,729,860	14,867,514
Refundable deposits	5,314,348	2,689,597
Others	530,698	380,447
	₱3,611,166,767	₱2,265,504,406

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses that were paid in behalf of subcontractors. These are applied against the progress billings of subcontractors.

The Group expensed prepaid commissions of ₱324,392,370 and ₱156,678,181 for September 30, 2020 and 2019, respectively, based on the POC of its related real estate contract and is presented as Commissions under Operating Expenses in the consolidated statements of profit or loss (see Note 19).

Prepaid expenses include advance payment for insurance and rent.

10. INVESTMENTS IN ASSOCIATES

The reconciliation of the carrying amounts of investments in associates follows:

	Note	September 30, 2020	December 31, 2019
Balance at beginning of year		₱16,378,423	₱11,205,003
Additional investments		–	5,500,000
Share in net losses during the year		(825,465)	(326,580)
Prior period adjustment	24.5	(56,414)	–
Balance at end of year		₱15,496,544	₱16,378,423

Analyses of the carrying amounts of the Group's investments in associates as at September 30, 2020 and December 31, 2019 are shown below.

<u>2020</u>	Magspeak	MDC	Total
Cost			
Balance at beginning and end of year	₱10,635,096	₱11,600,000	₱22,235,096
Accumulated equity in net losses			
Balance at beginning of year	(542,354)	(5,314,319)	(5,856,673)
Equity in net losses during the year	(334,855)	(490,610)	(825,465)
Prior period adjustment	(56,414)	–	(56,414)
Balance at end of year	(933,623)	(5,804,929)	(6,738,552)
Net carrying amount	₱9,701,473	₱5,795,071	₱15,496,544
<u>2019</u>	Magspeak	MDC	Total
Cost			
Balance at beginning of year	₱5,135,096	₱11,600,000	₱16,735,096
Additional investments	5,500,000	–	5,500,000
Balance at end of year	10,635,096	11,600,000	22,235,096
Accumulated equity in net losses			
Balance at beginning of year	(130,765)	(5,399,328)	(5,530,093)
Equity in net losses during the year	(411,589)	85,009	(326,580)
Balance at end of year	(542,354)	(5,314,319)	(5,856,673)
Net carrying amount	₱10,092,742	₱5,320,777	₱16,378,423

Shares in net losses of associates totaling ₱825,465 and ₱275,325 were recognized in the first quarter of 2020 and 2019, respectively, in the consolidated statements of profit or loss.

There were no dividends received from the Group's associates in 2020 and 2019.

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2020 and 2019 are shown below.

	2020							Total
	Land	Building	Office Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	
Cost								
Balance at beginning of year	₱139,794,060	₱150,489,580	₱62,468,842	₱41,012,216	₱26,085,688	₱2,330,639	₱72,079,085	₱494,260,110
Additions	–	12,516,028	6,190,865	2,945,535	1,356,430	–	61,247,133	84,255,991
Reclassification	–	3,241,740	–	–	–	4,509,795	(7,751,535)	–
Balance at end of year	139,794,060	166,247,348	68,659,707	43,957,751	27,442,118	6,840,434	125,574,683	578,516,101
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	67,413,259	23,635,550	29,791,432	16,065,951	2,232,938	–	139,139,130
Depreciation and amortization	–	12,768,744	5,569,014	2,845,017	2,927,822	935,482	–	25,046,079
Reclassification	–	(2,254,897)	–	–	–	2,254,897	–	–
Balance at end of year	–	77,927,106	29,204,564	32,636,449	18,993,773	5,423,317	–	164,185,209
Carrying Amount	₱139,794,060	₱88,320,242	₱39,455,143	₱11,321,302	₱8,448,345	₱1,417,117	₱125,574,683	₱414,330,892

	2019							Total
	Land	Building	Office Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	
Cost								
Balance at beginning of year	₱139,198,121	₱147,503,733	₱52,750,891	₱50,638,536	₱21,855,519	₱2,355,282	₱16,673,810	₱430,975,892
Additions	595,939	2,985,847	9,964,093	7,152,251	4,535,518	–	55,405,275	80,638,923
Reclassification	–	–	(246,142)	(16,778,571)	(305,349)	(24,643)	–	(17,354,705)
Balance at end of year	139,794,060	150,489,580	62,468,842	41,012,216	26,085,688	2,330,639	72,079,085	494,260,110
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	46,341,468	17,125,820	26,982,786	12,812,617	1,992,481	–	105,255,172
Depreciation and amortization	–	21,071,791	6,509,730	2,808,646	3,413,701	240,457	–	34,044,325
Reclassification	–	–	–	–	(160,367)	–	–	(160,367)
Balance at end of year	–	67,413,259	23,635,550	29,791,432	16,065,951	2,232,938	–	139,139,130
Carrying Amount	₱139,794,060	₱83,076,321	₱38,833,292	₱11,220,784	₱10,019,737	₱97,701	₱72,079,085	₱355,120,980

Depreciation and amortization expense on property and equipment is presented as part of Operating Expenses (see Note 19).

Certain building, office equipment, furniture and fixtures and leasehold improvements with an aggregate carrying amount of ₱59,752,095 and ₱70,260,964 as at September 30, 2020 and December 31, 2019, respectively, are used as collateral for certain interest-bearing loans of the Parent Company (see Note 15.1).

As at September 30, 2020 and December 31, 2019, the cost of the Group's fully-depreciated property and equipment that are still used in operations amounted to ₱91,615,284 and ₱67,434,959.

12. LEASES

In 2020 and 2019, the Group entered into lease contracts, as lessee, for leases of land and an office space. With the exception of short-term leases and leases of low-value underlying assets, each lease is presented in the 2020 and 2019 consolidated statements of financial position as Right-of-use Asset and the corresponding obligation, as Lease Liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. Under the lease contracts, the Group is prohibited from selling or pledging the underlying leased assets as security. For the lease of an office space, the Group must keep the related property in a good state of repair and return the property in good state at the end of the lease. For the lease on the land, the Group must insure all the improvements made on the property.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the 2020 and 2019 consolidated statements of financial position.

	Number of right-of-use assets leased	Range of remaining term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with termination options
Land	2	39-43 years	-	-	-
Office space	1	4 years	1	-	1

12.1 Right-of-use Assets

The carrying amounts and movements of the Group's right-of-use assets as at September 30, 2020 and December 31, 2019 are shown below.

September 30, 2020

	Land	Office Space	Total
Balance at beginning of year	₱167,153,346	₱7,606,117	₱174,759,463
Additions	728,280,245	-	728,280,245
Amortization	(15,917,050)	(1,222,412)	(17,139,462)
Balance at end of year	₱879,516,541	₱6,383,705	₱885,900,246

<u>December 31, 2019</u>			
	Land	Office Space	Total
Balance at beginning of year	₱ –	₱–	₱–
Additions	171,439,329	8,556,881	179,996,210
Amortization	(4,285,983)	(950,764)	(5,236,747)
Balance at end of year	₱167,153,346	₱7,606,117	₱174,759,463

12.2 Lease Liabilities

Lease liabilities presented in the statements of financial position follow:

	September 30, 2020	December 31, 2019
Current	₱353,463	₱1,775,306
Non-current	800,827,137	138,501,152
Balance at end of year	₱801,180,600	₱140,276,458

The Group is fully liable for the rentals on the remaining term of the lease of office space, including any interest, penalties, utility charges and damages for termination prior to expiration of the contract. The contract of lease on land does not provide for any future lease termination and extension options.

The Group paid advance rentals of ₱107,986,192 and ₱50,000,000 in 2020 and 2019, respectively, at the start of two separate leases of land which will be applied to the first two to five years of the lease term.

The lease liabilities are secured by the related underlying assets.

12.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. The expense relating to short-term leases and low-value assets has an aggregate amount of ₱12,846,408 and ₱18,578,895 for September 30, 2020 and 2019, respectively, and is presented as Rent under the Operating Expenses in the consolidated statements of profit or loss (see Note 19).

12.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to ₱107,986,192 and ₱50,000,000 for the periods ended September 30, 2020 and 2019, respectively. These include the interest expense in relation to the lease liabilities amounting to ₱40,610,089 and ₱7,538,572, respectively for the same periods ended, and is presented as part of Interest expense on lease liabilities under Finance Costs in the consolidated statement of profit or loss (see Note 15.3).

13. INVESTMENT PROPERTIES

The Group's investment properties include parcels of land held for undetermined future use and, condominium units and retail building for lease. The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of September 30, 2020 and December 31, 2019 are shown below.

	2020					
	Land	Retail Building	Condo Units	Parking Units	Construction in Progress	Total
Cost						
Balance at beginning of year	₱5,742,274,541	₱100,228,005	₱285,413,555	₱31,371,804	₱2,821,044,269	₱8,980,332,174
Additions	348,167	–	–	–	249,891,429	250,239,596
Reclassifications	(2,652,500)	–	–	–	1,833,094,226	1,830,441,726
Balance at end of year	5,739,970,208	100,228,005	285,413,555	31,371,804	4,904,029,924	11,061,013,496
Accumulated depreciation						
Balance at beginning of year	–	15,112,259	55,981,489	4,393,726	–	75,487,474
Depreciation	–	3,758,550	10,703,008	1,176,443	–	15,638,001
Balance at end of year	–	18,870,809	66,684,497	5,570,169	–	91,125,475
Carrying amount	₱5,739,970,208	₱81,357,196	₱218,729,058	₱25,801,635	₱4,904,029,924	₱10,969,888,021
	2019					
	Land	Retail Building	Condo Units	Parking Units	Construction in Progress	Total
Cost						
Balance at beginning of year	₱4,576,694,945	₱45,228,005	₱285,413,555	₱31,371,804	₱816,408,411	₱5,755,116,720
Additions	20,821,063	55,000,000	–	–	2,105,110,145	2,180,931,208
Reclassifications	1,144,758,533	–	–	–	(100,474,287)	1,044,284,246
Balance at end of year	5,742,274,541	100,228,005	285,413,555	31,371,804	2,821,044,269	8,980,332,174
Accumulated depreciation						
Balance at beginning of year	–	11,475,859	41,710,811	2,825,136	–	56,011,806
Depreciation	–	3,636,400	14,270,678	1,568,590	–	19,475,668
Balance at end of year	–	15,112,259	55,981,489	4,393,726	–	75,487,474
Carrying amount	₱5,742,274,541	₱85,115,746	₱229,432,066	₱26,978,078	₱2,821,044,269	₱8,904,844,700

Income and expense from investment properties for the periods ended September 30, 2020 and 2019 are presented below.

	Note	September 30, 2020	September 30, 2019
Rental income	17.1	₱44,540,706	₱46,717,538
Expense: Depreciation	18		
Depreciation		₱15,638,001	₱14,263,001
Real property taxes		–	179,375
		₱15,638,001	₱14,442,376

The expense is included as part of Cost of Sales and Services in the consolidated statements of profit or loss in 2020 and 2019 (see Note 18).

The last valuation made by an independent expert was for the period ended December 31, 2019 for which investment properties were appraised to have a total fair value of ₱10,242,045,810 [see Note 28.3(c)].

Investment properties with a total carrying amount of ₱1,491,422,197 and ₱1,041,408,890 as at September 30, 2020 and December 31, 2019, respectively, are used as collateral for certain interest-bearing loans of the Group (see Note 15.1).

14. OTHER NON-CURRENT ASSETS

This account includes the following:

	September 30, 2020	December 31, 2019
Refundable deposits	₱74,209,828	₱66,028,148
Computer software - net of accumulated amortization	37,366,510	34,153,195
Deferred input VAT	5,839,272	4,624,926
Advance payment for future investment in equity securities	5,468,752	5,468,752
Deposit for purchased properties	3,488,418	16,279,285
Others	2,505,358	2,313,425
	₱128,878,138	₱128,867,731

Refundable deposits pertain to recoverable payments by the Group which are expected to be realized at the end of the term of agreement. These are measured at amortized cost.

Total additions to computer software amounted to ₱7,914,495 and ₱33,955,601 as of September 30, 2020 and December 31, 2019, respectively. The amortization expense on the computer software amounted to ₱4,701,180 and ₱1,337,166 for September 30, 2020 and 2019, respectively, and is presented as part of Depreciation and amortization under Operating Expenses (see Note 19).

15. INTEREST-BEARING LOANS AND BORROWINGS

The outstanding balance of interest-bearing loans and corporate notes are presented in the consolidated statements of financial position as follows:

	September 30, 2020	December 31, 2019
Current		
Bank loans	₱1,380,341,231	₱2,627,759,378
Corporate notes	2,000,000,000	-
	3,380,341,231	2,627,759,378
Non-current		
Bank loans	7,096,935,277	7,295,952,571
Corporate notes	12,840,391,301	6,923,044,628
	19,937,326,578	14,218,997,199
	₱23,317,667,809	₱16,846,756,577

15.1 Bank Loans

An analysis of the movements in the balance of interest-bearing loans is presented below.

	September 30, 2020	December 31, 2019
Balance at beginning of year	₱9,923,711,949	₱7,695,350,556
Proceeds and drawdowns - net	3,833,233,000	6,487,770,230
Repayments	(5,280,539,576)	(4,265,207,842)
Amortization of debt issue costs	871,135	5,799,005
Balance at end of year	₱8,477,276,508	₱9,923,711,949

A reconciliation of the unamortized debt issue cost at the beginning and end of 2020 and 2019 is shown below.

	September 30, 2020	December 31, 2019
Balance at beginning of year	₱22,038,714	₱7,145,451
Debt issue costs from new loans	-	20,692,268
Amortization of debt issue costs	(871,135)	(5,799,005)
Balance at end of year	₱21,167,579	₱22,038,714

The loans bear interest rates per annum ranging from 1.98% to 7.13% in 2020 and 1.98% to 7.37% in 2019.

In 2020, the Group availed of new bank loans amounting to ₱3,833,233,000, net of debt issuance cost, which bear interest ranging from 4.26% to 7.00% with maturity dates ranging from 2021 to 2027. Loans obtained in 2019 from various commercial banks amounting to ₱6,487,770,230, net of debt issuance cost, which bear interest ranging from 4.18% to 6.50% with maturity dates ranging from 2020 to 2034.

Certain loans are secured by specific projects of the Group for which the loans were obtained. The cost of such projects aggregating to ₱7,148,322,782 and ₱10,231,449,984 as at September 30, 2020 and December 31, 2019, respectively, are included in the Real Estate Inventory, Property and Equipment and Investment Properties accounts in the statements of financial position (see Notes 7, 11 and 13).

15.2 Corporate Notes

The Parent Company and various financial institutions executed a Notes Facility Agreement (NFA) for the issuance of long-term corporate notes (LTCN) and short-dated note (SDN) amounting ₱13,000,000,000 and ₱2,000,000,000, respectively.

An analysis of the movements in the balance of interest-bearing loans is presented below.

	September 30, 2020	December 31, 2019
Balance at beginning of year	₱6,923,044,628	₱2,945,929,755
Proceeds and drawdowns – net	7,897,722,486	3,965,935,843
Amortization of debt issue costs	19,624,187	11,179,030
Balance at end of year	₱14,840,391,301	₱6,923,044,628

The NFA is composed of the following tranches:

NFA	Date Executed	Tranche	Tenor	Principal Amount
SDN	10/25/2019		18 months from drawdown date	₱2,000,000,000
LTCN	07/20/2018	Series A	Seven years	₱2,500,000,000
		Series B	Ten years	1,000,000,000
		Series C	Ten years with repricing on the interest rate re-setting date	1,500,000,000
	03/05/2020	Series D	Five years	1,300,000,000
		Series E	Seven years	5,700,000,000
		Series F	Ten years	1,000,000,000
				₱13,000,000,000

The Parent Company made the following drawdowns from the NFA.

Year	Tranche	Interest Rate	Maturity Dates	Amount
2020	Series D	3.46%	September 2025	₱1,300,000,000
	Series E	4.00% - 4.66%	April 2027	5,700,000,000
	Series F	4.23% - 5.23%	March 2030	1,000,000,000
				₱8,000,000,000
2019	Series A	7.25%	January 2026	₱2,000,000,000
	SDN	4.75%	April 2021	2,000,000,000
				₱4,000,000,000
2018	Series A	7.25%	December 2025	₱500,000,000
	Series B	6.63%	August - September 2028	1,000,000,000
	Series C	6.75%	October - December 2028	1,500,000,000
				₱3,000,000,000

A reconciliation of the unamortized debt issue costs of corporate notes at the beginning and end of 2020 and 2019 is shown below.

	September 30, 2020	December 31, 2019
Balance at beginning of year	₱76,955,372	₱54,070,245
Debt issue costs from new loans	102,277,514	34,064,157
Amortization of debt issue costs	(19,624,187)	(11,179,030)
Balance at end of year	₱159,608,699	₱76,955,372

The debt issuance costs are deducted from the fair value or issue price of the note.

The Parent Company is required to maintain the financial ratios with respect to (a) maximum debt to equity ratio of 2.5:1; (b) minimum current ratio of 1:1; and, (c) minimum interest coverage ratio of 3:1. As at September 30, 2020, the Parent Company is compliant with the requirements (see Note 29).

15.3 Finance Costs

Details of interest incurred from interest-bearing loans follow:

	September 30, 2020	September 30, 2019
Capitalized as part of real estate inventory and investment property	₱653,175,618	₱287,674,869
Recognized in the statements of profit or loss:		
Cost of real estate sold	170,484,823	247,471,644
Finance cost	972,545	64,673,193
	171,457,368	312,144,837
	₱824,632,986	₱599,819,706

Finance cost is comprised of the following:

	September 30, 2020	September 30, 2019
Interest expense on lease liability	₱40,610,089	₱7,538,572
Interest expense on interest-bearing loans	972,545	51,412,093
Amortization of debt issue costs	-	5,722,528
	₱41,582,634	₱64,673,193

Interest expense on loans is the portion of total interest incurred not capitalized as part of real estate inventory.

16. TRADE AND OTHER PAYABLES

This account is composed of the following:

	September 30, 2020	December 31, 2019
Current:		
Construction costs payable	₱3,351,683,820	₱1,739,034,574
Trade payables	2,268,537,155	2,255,668,095
Sales commission payable	1,182,680,131	903,229,455
Retention payable	375,577,482	343,069,374
Output VAT	342,117,513	28,736,523
Accrued expenses	214,609,944	116,222,019
Government-related obligations	49,868,086	76,456,523
Advances from NCI for future stock subscription	-	20,000,000
Others	96,781,893	219,493,465
	7,881,856,024	5,701,910,028
Non-current:		
Retention payable	90,846,157	67,508,171
Advanced rental	13,423,958	10,006,362
Other payables	2,336,904	4,102,433
	106,607,019	81,616,966
	₱7,988,463,043	₱5,783,526,994

Construction costs payable pertain to estimated obligations to contractors for services already performed but not yet billed to the Group.

Trade payables mainly represent outstanding obligations to owners of parcels of land acquired, subcontractors and suppliers of construction materials.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Portion of the amount retained that is not expected to be paid within 12 months from the end of the reporting period is presented as part of non-current liabilities in the consolidated statements of financial position.

Accrued expenses pertain to accruals for contracted services, security services, professional fees and other recurring accruals in the Group's operations.

Current portion of the other payables include construction bonds from various subcontractors.

17. REVENUE FROM CONTRACTS WITH CUSTOMERS AND CONTRACT BALANCES

17.1 Disaggregation of Contract Revenues

The Group derives revenue from the transfer of goods and services over time and at a point in time.

Below is the revenue of its major product lines and in geographical areas as of September 30, 2020:

	Cebu	Mindanao	Visayas	Luzon	Total
Sale of real estate units					
Over time	₱2,671,327,542	₱1,341,411,850	₱1,294,843,280	₱-	₱5,307,582,672
At a point in time	195,581,720	58,179,268	-	21,880,000	275,640,988
	2,866,909,262	1,399,591,118	1,294,843,280	21,880,000	5,583,223,660
Hotel operations					
At a point in time	49,336,918	-	-	-	49,336,918
Lease of properties					
Over time	44,540,706	-	-	-	44,540,706
Render of management services					
Over time	19,031,040	5,050,239	-	8,000,000	32,081,279
	₱2,979,817,926	₱1,404,641,357	₱1,294,843,280	₱29,880,000	₱5,709,182,563

Below is the revenue of its major product lines and in geographical areas as of September 30, 2019:

	Cebu	Mindanao	Visayas	Luzon	Total
Sale of real estate units					
Over time	₱2,166,710,337	₱876,159,851	₱1,302,014,261	₱-	₱4,344,884,449
At a point in time	1,262,962,606	265,405,416	-	530,000	1,528,898,022
	3,429,672,943	1,141,565,267	1,302,014,261	530,000	5,873,782,471
Lease of properties					
Over time	46,717,538	-	-	-	46,717,538
Render of management services					
Over time	17,487,754	1,373,448	-	8,000,000	26,861,202
Hotel operations					
At a point in time	314,082	-	-	-	314,082
	₱3,494,192,317	₱1,142,938,715	₱1,302,014,261	₱8,530,000	₱5,947,675,293

17.2 Contract Balance

The breakdown of contract balances is as follows:

	September 30, 2020	December 31, 2019
Contract assets – net	₱12,424,141,170	₱8,892,510,028
Contract liabilities	(482,566,908)	(418,967,659)
Net	₱11,941,574,262	₱8,473,542,369

The Group recognizes contract assets, due to timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period.

The contract assets of the Group presented in the consolidated statement of the financial position as at September 30, 2020 and December 31, 2019 follow:

	September 30, 2020	December 31, 2019
Current	₱3,725,452,686	₱3,799,666,118
Non-current	8,698,688,484	5,092,843,910
	₱12,424,141,170	₱8,892,510,028

Contract liabilities pertains collections from buyers that are ahead of the stage of completion of the real estate units sold. Collections from buyers on sale of real estate units where the gating criteria for recognition of sales contract has not yet met are accounted as Customers' deposits.

A summary of the Group's contract liabilities and customers' deposits is presented below.

	September 30, 2020	December 31, 2019
Contract liabilities	₱482,566,908	₱418,967,659
Customers' deposits	143,249,139	191,042,919
	₱625,816,047	₱610,010,578

Changes in the contract assets and contract liabilities are recognized by the Group when a right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively.

18. COST OF SALES AND SERVICES

Components of costs of sales and services are analyzed below.

	September 30, 2020	September 30, 2019
Cost of real estate sales:		
Actual costs	₱2,883,834,436	₱2,992,629,478
Cost of rental services:		
Depreciation	15,638,001	14,263,001
Real property taxes	-	179,375
	15,638,001	14,442,376
Cost of management services:		
Salaries and wages	11,346,467	8,411,425
Materials and supplies	-	25,532
	11,346,467	8,436,957
Cost of hotel operations	16,816,569	313,198
	₱2,927,635,473	₱3,015,822,009

18.1 Cost of real estate sales

Cost of real estate sales are further broken down as follows:

	September 30, 2020	September 30, 2019
Contracted services	₱2,316,336,937	₱2,319,363,233
Borrowing cost	258,127,125	247,471,644
Land cost	156,520,733	400,331,373
Other costs	152,849,641	25,463,228
	₱2,883,834,436	₱2,992,629,478

18.2 Cost of hotel operations

Cost of hotel operations are further broken down as follows:

	September 30, 2020	September 30, 2019
Food and beverages	₱5,512,679	₱–
Salaries and employee benefits	4,335,496	–
Commission	2,435,920	–
Utilities	2,126,366	103,101
Other services	1,964,242	210,097
Miscellaneous	441,866	–
	₱16,816,569	₱313,198

19. OPERATING EXPENSES BY NATURE

Details of operating expenses by nature are shown below:

	Note	September 30, 2020	September 30, 2019
Contracted services	18.1	₱2,316,336,937	₱2,319,363,233
Commission	9, 18.2	326,828,290	156,678,181
Interest	18.1	258,127,125	247,471,644
Salaries and employee benefits		256,864,472	199,648,055
Land cost	18.1	156,520,733	400,331,373
Professional fees		133,271,624	31,894,801
Taxes and licenses		126,568,198	181,207,609
Depreciation and amortization	11, 12, 13, 14	62,524,722	45,736,614
Advertising		29,635,173	48,317,784
Utilities		28,501,649	13,907,116
Rent	26.2	12,846,408	18,578,895
Transportation and travel		12,779,896	20,504,640
Security services		11,068,290	10,265,965
Supplies		10,870,702	6,750,133
Representation and entertainment		10,865,627	8,927,668
Repairs and maintenance		10,814,322	12,111,431
Management fee		10,452,381	–
Insurance		9,927,778	6,416,919
Donations		7,430,895	2,340,000
Subscription and membership dues		6,716,794	3,679,087
Communication		6,199,296	3,777,834
Food and beverages	18.2	5,512,679	–
Trainings and seminars		246,719	844,472
Fuel and lubricants		72,150	61,886
Others		19,044,681	15,073,801
		₱3,830,027,541	₱3,753,889,141

Interest pertains to those that were initially capitalized as part of real estate inventory but expensed when the related asset was sold.

The expenses are classified in the consolidated statements of profit or loss as follows:

	Note	September 30, 2020	September 30, 2019
Cost of sales and services	18	₱2,927,635,473	₱3,015,822,009
Operating expenses		902,392,068	738,067,132
		₱3,830,027,541	₱3,753,889,141

20. OTHER INCOME

20.1 Other Operating Income

This account is composed of the following:

	September 30, 2020	September 30, 2019
Administrative charges	₱15,229,374	₱4,957,597
Refund from cancelled units	7,864,450	–
Water income	7,233,502	1,179,165
Documentation fee	4,828,124	3,920,811
Late payment penalties charged to customers	3,751,161	1,808,525
Concession income	1,803,088	–
Utilities charged to tenants	1,770,786	2,935,060
Foreign exchange gains	1,157,569	–
Refund from lot acquisitions	–	17,053,893
Reversal of payables	–	8,031,814
Reversal of allowance for impairment	–	7,187,248
Others	2,286,102	2,121,700
	₱45,924,156	₱49,195,813

Administrative charges pertain to standard fees charged to the buyers when they withdraw from the sale.

Reversal of payables pertains to recoveries from cancelled contracts with certain building contractors.

20.2 Other Losses

The Group recognized foreign exchange losses arising from collections from buyers and payments to suppliers denominated foreign currencies amounting to ₱191,929 and ₱37,642 as at September 30, 2020 and 2019, respectively.

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits (see Note 19) are presented below.

	September 30, 2020	September 30, 2019
Short-term employee benefits	₱256,864,472	₱191,236,630

21.2 Post-Employment Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group maintains a funded and non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank manages the fund in coordination with the Group's top management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Group's BOD. Normal retirement benefit is an amount equivalent to 50% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation 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.

22. CURRENT AND DEFERRED TAXES

The Group was registered with the Board of Investments (BOI) as a developer of various economic and low-cost housing projects. Accordingly, the Group enjoys an income tax holiday on the BOI registered projects within three to four taxable years from its registration. The Group has 15 registered projects with BOI as at September 30, 2020 and December 31, 2019.

The components of tax expense relating to profit or loss follows:

	September 30, 2020	September 30, 2019
<i>Reported in profit or loss:</i>		
Deferred income tax relating to origination and reversal of temporary differences	₱141,647,048	₱138,718,603
Current income tax expense	76,794,235	84,491,865
Final income tax	1,086,200	3,490,391
	₱219,527,483	₱226,700,859

As of September 30, 2020, only the Parent Company, CPH, BL Ventures, El Camino and GGTT are subject to MCIT which is computed at 2% of gross income net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. Other components of the Group are not yet subject to MCIT as it has not operated beyond four taxable years. No MCIT was reported in 2020 and 2019 as the RCIT was higher than MCIT.

The Group opted to treat the capitalized borrowing costs as capital expenditure in accordance with Section 34(b) of the NIRC; hence, there are no deferred taxes related to the transaction.

The Group opted to claim itemized deductions in computing its income tax due for the quarter ended September 30, 2020 and year ended December 31, 2019.

23. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent or ABS, entities under common ownership, associates, shareholders, the Group's key management personnel, its retirement fund and others as described in the consolidated financial statements.

A summary of the Group's transactions and outstanding balances with related parties is presented below.

	Note	Amount of Transaction		Outstanding Balance	
		2020	2019	2020	2019
Ultimate Parent Company					
Sale of real estate	23.2	₱-	₱26,047,495	₱168,912,410	₱158,920,838
Entities under common ownership					
Net advances (collections)	23.1	₱11,453,004	(₱11,206,772)	₱21,400,421	₱9,947,417

(Forward)

	Note	Amount of Transaction		Outstanding Balance	
		2020	2019	2020	2019
Associates					
Net advances	23.1	₱32,597	₱–	₱32,597	₱–
Key management personnel					
Sale of real estate	23.3	₱–	₱–	₱360,092	₱7,180,680
Compensation		63,633,835	87,656,262	–	–

Based on management's assessment, no impairment loss is required to be provided on the Group's receivables from related parties as at September 30, 2020 and December 31, 2019.

The cash advances to and from related parties are noninterest-bearing, unsecured, due on demand and are expected to be settled in cash or offsetting of accounts within one year from end of the reporting period.

23.1 Advances to Related Parties

The Group grants cash advances to certain entities under common ownership and an associate. An analysis of such advances is presented below.

	Entities Under Common Ownership	Associate	Total
September 30, 2020			
Balance at beginning of year	₱9,947,417	₱–	₱9,947,417
Additional advances	11,453,004	32,597	11,485,601
Balance as at end of period	₱21,400,421	₱32,597	21,433,018
December 31, 2019			
Balance at beginning of year	₱21,154,189	₱–	₱21,154,189
Collections	(11,206,772)	–	(11,206,772)
Balance as at end of period	₱9,947,417	₱–	₱9,947,417

23.2 Sale of Real Estate to Ultimate Parent Company

In 2019 and 2017, CLI sold condominium units to ABS totaling ₱24,410,000 and ₱158,867,450, respectively. The outstanding balance related to these transactions amounted to ₱168,912,410 and ₱158,920,838 as at September 30, 2020 and December 31, 2019, respectively, and is presented as part of Contract Receivables under the Receivables account in the consolidated statements of financial position (see Note 6).

23.3 Sale of Real Estate to Key Management Personnel

In 2016 and 2015, CLI sold condominium units totaling ₱4,714,305 and ₱4,882,008, respectively, to key management personnel. Outstanding balance related to these transactions amounts to ₱360,092 and ₱7,180,680 as at September 30, 2020 and December 31, 2019, respectively. These are presented as part of Contract Receivables under the Receivables account in the consolidated statements of financial position (see Note 6).

24. EQUITY

24.1 Capital Stock

Details of the Parent Company's authorized capital stock as of September 30, 2020 and December 31, 2019 are as follows:

Type	Par Value	Shares	Amount
Common stock	₱1.00	2,400,000,000	₱2,400,000,000
Preferred stock	₱0.10	1,000,000,000	100,000,000

An analysis of the Parent Company's issued and outstanding common stock as at September 30, 2020 and December 31, 2019 is shown below.

	Shares		Amount	
	2020	2019	2020	2019
Common Stock:				
Balance at beginning and end of year	1,714,000,000	1,714,000,000	₱1,714,000,000	₱1,714,000,000
Less: Treasury Stock				
Balance at beginning of year	54,820,000	46,500,000	247,193,811	212,459,418
Reacquired during the year	101,500,000	8,320,000	473,739,016	34,734,393
Balance at end of year	156,320,000	54,820,000	720,932,827	247,193,811
Issued and outstanding	1,557,680,000	1,659,180,000	₱993,067,173	₱1,466,806,189

There are no issued preferred stocks as at September 30, 2020 and December 31, 2019.

As disclosed in Note 1.1 to the consolidated financial statements, the Parent Company had an IPO of 430.0 million unissued common shares at an offer price of ₱5 per share, which is equivalent to ₱2,150,000,000, on September 2, 2017. Accordingly, the Parent Company recognized additional paid-in capital of ₱1,608,917,974, after deducting related share issuance costs of ₱111,082,026, in the consolidated statements of financial position.

The share price of the Parent Company's common stock closed at ₱4.90 and ₱4.83 per share on September 30, 2020 and December 27, 2019, the last trading days in the PSE for 2020 and 2019, respectively.

The Group has no other listed securities as at September 30, 2020 and December 31, 2019.

On February 27, 2018, the BOD of the Parent Company approved a ₱250,000,000 budget for a share buy-back program and employee stock option plan. As of September 30, 2020, the employee stock option plan has not yet implemented.

On March 27, 2020, the BOD of the Parent Company approved an additional ₱500,000,000 stock buy-back program for its valuation plans over the next two years.

In relation to these programs, the Parent Company reacquired a total of 156,320,000 shares and 54,820,000 shares for ₱720,932,827 and ₱247,193,811 as of September 30, 2020 and December 31, 2019, respectively, and presented them as Treasury Stock in the consolidated statement of financial position.

24.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statement of changes in equity at their aggregate amount under the Revaluation Reserves account are shown below.

	September 30, 2020	December 31, 2019
Balance at beginning of year	(₱6,589,225)	(₱12,428,442)
Other comprehensive income:		
Gain on remeasurement of post-employment defined benefit obligation	-	8,341,738
Tax expense	-	(2,502,521)
Balance as at end of period	(₱6,589,225)	(₱6,589,225)

24.3 Retained Earnings

On February 19, 2020, the Parent Company's BOD declared cash dividend of ₱0.25 per share totaling ₱414,795,000 to stockholders on record as of April 3, 2020. Such dividend was paid on April 30, 2020.

On February 26, 2019, the Parent Company's BOD declared cash dividend of ₱0.20 per share totaling ₱332,590,000 to stockholders on record as of March 26, 2019. Such dividend was paid on April 24, 2019.

On October 24, 2019, the Board of Directors approved the appropriation of ₱3,050,000,000 from the Parent Company's retained earnings for purposes of funding certain projects. The appropriated amount is specifically intended and allocated for the capital expenditures, financing costs, and other related development costs that the Parent Company expects to incur in the next five years for those certain projects. Details of the appropriation are as follows:

- ₱400,000,000 for the on-going development of Mivela Garden Residences, a modern garden residential community and condominium project located in Banilad, Cebu City. Project development was commenced on September 2019 and is expected to be completed by second quarter of 2023;
- ₱600,000,000 for the development of Cebu Business Park Office / Hotel Tower, an office and hotel building located at the Cebu Business Park, Cebu City. Project development was commenced last November 2019 and is expected to be completed by first quarter of 2024;
- ₱500,000,000 for the on-going development of the Casa Mira and Velmiro Homes projects, which are subdivision projects (house and lots) located in Magtuod, Davao City. Project developments commenced on December 2019 and are expected to be completed by first quarter of 2023.
- ₱400,000,000 for the redevelopment of the Abaca Resort Mactan, a resort in Punta Engaño, Mactan Island, Cebu. Redevelopment was commenced on November 2019 and is expected to be completed by second quarter of 2024.

- ₱600,000,000 for the redevelopment of the Mactan Lowaii Project, a resort in Mactan Island, Cebu. Development was commenced on November 2019 and is expected to be completed by second quarter of 2023.
- ₱300,000,000 for the on-going development of Casa Mira Mandaue, a condominium project with four towers located in Alang-alang, Mandaue City. Project development was commenced on September 2019 and is expected to be completed by second quarter of 2023.
- ₱250,000,000 for the on-going development of the Velmiro Heights Taekwoord, a subdivision project located in Cagayan de Oro. Project development was commenced on December 2019 and is expected to be completed by fourth quarter of 2022.

In 2020, the Parent Company reversed a portion of the appropriated retained earnings in 2019 to unrestricted retained earnings by ₱2,103,606,315 after partial fulfillment of its intended purposes. Details of the appropriation and reversals follow:

Project Name	January 1, 2020	Reversals	September 30, 2020
Mivela Garden Residences	₱400,000,000	(₱347,276,625)	₱52,723,375
Cebu Business Park Office/ Hotel Tower	600,000,000	–	600,000,000
Casa Mira and Velmiro Homes	500,000,000	(500,000,000)	–
Abaca Resort Mactan	400,000,000	(244,740,190)	155,259,810
Mactan Lowaii Project	600,000,000	(526,491,509)	73,508,491
Casa Mira Mandaue	300,000,000	(300,000,000)	–
Velmiro Heights Teakwood	250,000,000	(185,097,991)	64,902,009
	₱3,050,000,000	(₱2,103,606,315)	₱946,393,685

A portion of the Group's retained earnings, equivalent of the cost of treasury shares is legally restricted in accordance with Section 40 of the Revised Corporation Code.

24.4 Non-controlling Interests

The subsidiaries of the Group with NCI as at September 30, 2020 and December 31, 2019 and are as follows.

Subsidiaries	NCI Ownership %		NCI Equity in Subsidiaries	
	2020	2019	2020	2019
YHEST	50	50	₱3,713,656,002	₱3,719,661,270
El Camino	65	65	979,660,947	773,607,627
CHDI	50	50	652,901,631	226,673,963
YHES	50	50	509,868,541	471,210,883
MGR	55	55	314,035,349	310,217,791
YES	50	50	311,026,229	318,011,562
BL Ventures	50	50	140,699,315	150,788,415
CCPH	50	50	104,712,649	85,858,394
CBLRV	50	–	99,006,289	–
GGTT	50	–	49,841,097	–
			₱6,875,408,049	₱6,056,029,905

In 2020, CBLRV was incorporated with paid-in capital from non-controlling stockholders amounting to ₱100,000,000. In the same year, GGTI's non-controlling shareholders with pre-existing contribution of ₱50,000,000 was consolidated to the Group's NCI after CLI acquired a controlling interest in the company. Other relevant activities of the Group's NCI during the year follow:

- CHDI's non-controlling shareholders contributed cash of ₱430,000,000 as paid-in capital;
- CCPH's deposits for future share subscription from non-controlling shareholders amounting to ₱20,000,001 was reclassified to paid-in capital;
- El Camino's non-controlling shareholders contributed cash amounting to ₱32,500,000 as deposits for future share subscription; and,
- YES declared cash dividends totalling ₱20,000,000 on September 2020, ₱10,000,000 of which was paid to non-controlling shareholders.

In 2019, CHDI was incorporated with paid-in capital from non-controlling shareholders amounting to ₱230,000,003. In the same year, YHESPH was incorporated as a wholly-owned subsidiary of YHES. Share of non-controlling shareholders of YHES in the paid-in capital of YHESPH amounted to ₱1,250,000. Moreover, non-controlling shareholders of El Camino, CCPH and YES contributed cash of ₱87,749,999, ₱15,574,999 and ₱6,250,000 into these entities, respectively. Deposits for future stock subscription from non-controlling shareholders of MGR amounting to ₱30,250,000 was also reclassified to equity.

In 2019, YES declared cash dividends totalling ₱40,000,000 of which ₱20,000,000 is the share of non-controlling shareholders. There was no similar transaction in 2020. No other dividends were paid to non-controlling shareholders in 2020, 2019 and 2018 as the related subsidiaries have not declared dividends yet.

In 2018, YHEST and CCLI were incorporated with the non-controlling shareholders contributed land with a fair value of ₱3,774,738,000 and cash of ₱74,350,000, respectively in exchange of shares of stock of these entities. The non-controlling shareholder also transferred land worth ₱448,474,000 to YHES in exchange for shares of stock worth ₱336,355,500 and settlement of its ₱112,118,500 liability.

In 2017, YHES and MGR were incorporated with paid-in capital from non-controlling shareholders on these entities amounting ₱1,375,000 and ₱112,118,500, respectively. Moreover, ₱70,683,840 and ₱388,259,487 were contributed by non-controlling shareholders of YES and El Camino, respectively.

In 2016, BL Ventures, YES and El Camino were incorporated with paid-in capital from non-controlling shareholders on these entities amounting to ₱12,500,000, ₱6,250,003, and ₱16,250,000, respectively.

24.5 Prior Period Adjustments

The balance of Retained Earnings as at January 1, 2020 has been restated from the amount previously reported in the consolidated financial statements to correct the equity in net loss from an associate and the deferred income taxes recognized by the Group in prior years. The prior period adjustments decreased Retained Earnings by ₱9,915,693.

25. EARNINGS PER SHARE

EPS is computed as follows:

	September 30, 2020	September 30, 2019
Income available to common stockholders	₱1,501,580,008	₱1,648,592,355
Divided by weighted average number of outstanding common stock	1,622,058,889	1,663,831,111
Basic and diluted EPS	₱0.93	₱0.99

There were no instruments that could potentially dilute basic earnings per share for periods ended September 30, 2020 and 2019, hence, basic EPS is the same as diluted EPS.

26. COMMITMENTS AND CONTINGENCIES

26.1 Operating Lease Commitments - Group as Lessor

The Group is a lessor under several operating leases covering investment properties (see Note 12). The leases have terms ranging from one to five years, with renewal options, and include annual escalation from 5.00% to 10.00%. The future minimum lease receivables under these agreements are presented below.

	September 30, 2020	September 30, 2019
Within one year	₱47,248,558	₱55,736,301
After one year but not more than five years	73,540,922	93,315,582
More than five years	121,428,357	136,463,913
	₱242,217,837	₱285,515,796

Rental income amounted to ₱44,540,706 and ₱46,717,538 as at September 30, 2020 and 2019, respectively (see Note 13). None of the rental income in 2020 and 2019 are relating to variable lease payments.

26.2 Operating Lease Commitments - Group as Lessee

The Group entered into several short-term cancellable leases for its billboards, warehouse and staff house. Rent expense incurred from the short-term cancellable leases amounted to ₱12,846,408 and ₱18,578,895 for September 30, 2020 and 2019, respectively, and is shown as Rent under Operating Expenses in the consolidated statements of profit or loss (see Notes 19).

26.3 Completion of Sold Units

The Group is obligated to finish the sold units that are at a certain stage of completion at the time of sale. In 2020 and 2019, the Group recognized a contract liability when it collects more than it is entitled to base on the stage of completion of the project development.

26.4 Purchase of Land

As at September 30, 2020 and December 31, 2019, the Group had agreed in principle with multiple sellers of real estate properties in various locations in Visayas and Mindanao

for the acquisition of parcels of land and for which the Group has made advance payments totalling ₱917,128,241 and ₱1,289,398,997, respectively (see Note 8). The advance payments shall be applied against the full amount of the contract price upon consummation of the contracts.

26.5 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements. As at September 30, 2020 and December 31, 2019, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 28 to the consolidated financial statements. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management 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.

It does not actively 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 as follows.

27.1 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 its operating, investing and financing activities.

It has no significant foreign currency exposure risks as most of its transactions are carried out in Philippine pesos, its functional currency. The Group also has no significant interest rate risk exposure as most of its interest-bearing financial assets and liabilities bear fixed interest rates.

27.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from debt instruments, primarily from the selling of goods and services to customers, and placing deposits with banks.

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 maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	September 30, 2020	December 31, 2019
Cash in banks and short-term placements	₱2,256,681,618	₱913,254,960
Receivables ¹	6,073,850,184	5,845,697,075
Contract assets	12,424,141,170	8,892,510,028
Due from related parties	21,433,018	9,947,417
Refundable deposits	79,524,176	68,717,745
	₱20,855,630,166	₱15,730,127,225

¹ Receivables excludes advances to officers and employees.

Refundable deposits are presented as part of other current and non-current assets.

Certain financial assets of the Group are secured by collateral or other credit enhancements as discussed below.

(a) *Cash in Banks and Short-term Placements*

The credit risk for cash in banks and short-term placements 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 ₱500,000 for every depositor per banking institution.

(b) *Receivables and Contract Assets*

The Group's maximum exposure to credit risk as at September 30, 2020 and December 31, 2019 is equal to the carrying value of its financial assets.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The Group uses cumulative credit loss rate approach to calculate ECL for receivables and contract assets. This approach is based on historical analysis of the Group's receivables and contract assets portfolio, which calculates the receivables' loss experience over a reasonable observation period and apply such information to project what the portfolio will look like going forward. The model is done by dividing each period's net charge-offs arising from contract cancellations and back-out sales by the original principal balance at the origination period of the receivables. The loss experience of these original balances is tracked annually and summed over the life of the contract, leaving a cumulative loss rate based on historic averages.

As customary in the real estate industry, title of the property is retained by the Group until the purchase price is fully collected, either from the buyer or a financing institution. Its pricing policy also dictates that inventories from previously cancelled sales are resold at a higher price from its original transaction price. Further, previous collections to be refunded to defaulting customers are reduced by penalties and charges. These factors result to a net gain from the transaction sufficient to cover the expenses and losses associated with the default. These measures further reduce the Company's exposure to credit risk.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

As at September 30, 2020 and December 31, 2019, the Group has no past due but unimpaired financial assets.

27.3 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 on a week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity. Excess cash are invested in short-term placements.

As at September 30, 2020 and December 31, 2019, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 months	1 to 5 years	More than 5 years
September 30, 2020				
Interest-bearing loans	₱500,824,985	₱2,879,516,246	₱10,591,473,866	₱9,517,616,939
Trade and other payables ¹	5,028,801,532	1,406,206,953	1,167,306,651	–
	₱5,529,626,517	₱4,285,723,199	₱11,758,780,517	₱9,517,616,939
December 31, 2019				
Interest-bearing loans	₱2,439,386,519	₱1,096,521,437	₱10,534,354,238	₱7,001,356,049
Trade and other payables ¹	4,402,542,794	1,194,174,188	71,610,604	–
	₱6,841,929,313	₱2,290,695,625	₱10,605,964,842	₱7,001,356,049

¹ Trade and other payables excludes government-related obligations, advance rentals and output VAT.

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

27.4 Risks Related to COVID-19

In late December 2019, the number of coronavirus (COVID-19) cases in Wuhan China increased and has grown rapidly across outside countries in late January 2020. On March 11, 2020, the World Health Organization declared COVID-19 to be a global pandemic. On March 16, 2020, the national government placed the Philippines under a State of Calamity with the rising COVID-19 cases in the country.

The Group assesses that the COVID-19 pandemic has affected the Visayas and Mindanao (VisMin) regions where it operates. Cebu City, where the Parent Company's head office is located, and key VisMin cities are placed under "Community Quarantine" causing reduced business operation.

With this, the Group has identified the following key risks significantly affecting the overall financial performance brought about by the global pandemic:

- revenue and collections from real estate sales may decline due to low housing demand, construction slowdown, and contract cancellations or term modification due to increase in unemployment rate in local and OFW buyers;
- supply chain disruptions such as delay in project launches during the year, delay in transportation of construction materials and decline in manpower due to stringent health policies enforced by local government units; and,
- revenue from hotel operations due to travel restrictions and decline in rental revenue due to lower foot traffic, temporary closure of businesses, and lease concessions such as rent discounts, rent holidays or pre-termination.

To mitigate the risks, the Group has implemented the following action plans:

- postpone the launching of eight pipeline projects from 2020 to 2021;
- focusing on economic and middle market segments to address housing backlog in VisMin;
- offering promotions to new buyers by stretching equity installment terms to boost reservation sales;
- construction and developments continue as majority of materials and labor are being sourced locally and as construction working permits were granted to most projects;
- digitalization of marketing and selling activities as the Group's wide network of brokers and sales agents continues to serve the public interests in its products and offerings; and,
- heightened sanitation policies and flexible work from home arrangements for the Group's employees were also enforced to ensure health and safety.

The Group is revisiting and improving its business plans and strategies to mitigate the risks caused by the global pandemic and is committed in complying with policies of the national and local government units to lessen the spread of the virus.

28. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND FAIR VALUE MEASUREMENTS AND DISCLOSURES

28.1 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.

	Note	2020		2019	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets at amortized cost					
Cash and cash equivalents	5	₱2,261,087,591	₱2,261,087,591	₱917,170,651	₱917,170,651
Receivables - net ¹	6	6,073,850,184	6,073,850,184	5,825,594,990	5,825,594,990
Contract assets - net	17.2	12,424,141,170	12,424,141,170	8,892,510,028	8,892,510,028
Due from related parties	23	21,433,018	21,433,018	9,947,417	9,947,417
Refundable deposits	9, 14	79,524,176	79,524,176	66,028,148	66,028,148
		₱20,860,036,139	₱20,860,036,139	₱15,711,251,234	₱15,711,251,234
Financial Liabilities at amortized cost					
Interest-bearing loans	15	₱23,317,667,809	₱23,317,667,809	₱16,846,756,577	₱16,811,221,475
Trade and other payables ²	16	7,602,315,136	7,602,315,136	5,668,327,586	5,668,327,586
		₱30,919,982,945	₱30,919,982,945	₱22,515,084,163	₱22,515,084,163

¹ Receivables - net excludes advances to officers and employees.

² Trade and other payables excludes output VAT, government-related obligations and advance rental.

See Notes 2.5 and 2.11 to the consolidated financial statements for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 27 to the consolidated financial statements.

28.2 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 Amount		Net Amount	Related Amounts not set-off			Net Amount
	Financial Assets	Financial Liabilities Set off		Financial Instruments	Cash Received	Collateral	
September 30, 2020							
Cash and cash equivalents	₱2,261,087,591	₱-	₱2,261,087,591	₱864,137,370	₱-	₱-	₱1,396,950,221
Receivables - net ¹	₱6,073,850,184	₱-	₱6,073,850,184	₱-	₱-	₱-	₱6,073,850,184
December 31, 2019							
Cash and cash equivalents	₱917,170,651	₱-	₱917,170,651	₱749,160,824	₱-	₱-	₱168,009,827
Receivables - net ¹	₱5,825,594,990	₱-	₱5,825,594,990	₱-	₱-	₱-	₱5,825,594,990

¹ Receivables - net excludes advances to officers and employees.

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 Amount		Related Amounts not set-off			
	Financial Assets	Financial Liabilities Set off	Net Amount	Financial Instruments	Cash Collateral Received	Net Amount
September 30, 2020						
Interest-bearing loans	₱23,317,667,809	₱-	₱23,317,667,809	₱864,137,370	₱-	₱22,453,530,439
Trade and other payables ¹	₱7,602,315,136	₱-	₱7,602,315,136	₱-	₱-	₱7,602,315,136
December 31, 2019						
Interest-bearing loans	₱16,846,756,577	₱-	₱16,846,756,577	₱749,160,824	₱-	₱16,097,595,753
Trade and other payables ¹	₱5,668,327,586	₱-	₱5,668,327,586	₱-	₱-	₱5,668,327,586

¹ Trade and other payables excludes output VAT, government-related obligations and advance rental.

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and counterparties (i.e., related parties and contractors) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and 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.

28.3 Fair Value Measurements and Disclosures

(a) 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 has the following levels:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- (b) 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,
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial 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 value 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.

(b) Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities, which are not measured at fair value in the 2020 and 2019 consolidated statements of financial position, but for which fair value is disclosed.

	2020			Total
	Level 1	Level 2	Level 3	
Financial Assets at amortized cost				
Cash and cash equivalents	₱2,261,087,591	₱-	₱-	₱2,261,087,591
Receivables - net ¹	-	-	6,073,850,184	6,073,850,184
Contract assets - net	-	-	12,424,141,170	12,424,141,170
Due from related parties	-	-	21,433,018	21,433,018
Refundable deposits	-	-	79,524,176	79,524,176
	₱2,261,087,591	₱-	₱18,598,948,548	₱20,860,036,139
Financial Liabilities at amortized cost				
Interest-bearing loans	₱-	₱-	₱23,317,667,809	₱23,317,667,809
Trade and other payables ²	-	-	7,602,315,136	7,602,315,136
	₱-	₱-	₱30,919,982,945	₱30,919,982,945
	2019			Total
	Level 1	Level 2	Level 3	
Financial Assets at amortized cost				
Cash and cash equivalents	₱917,170,651	₱-	₱-	₱917,170,651
Receivables - net ¹	-	-	5,825,594,990	5,825,594,990
Contract assets - net	-	-	8,892,510,028	8,892,510,028
Due from related parties	-	-	9,947,417	9,947,417
Refundable deposits	-	-	66,028,148	66,028,148
	₱917,170,651	₱-	₱14,794,080,583	₱15,711,251,234
Financial Liabilities at amortized cost				
Interest-bearing loans	₱-	₱-	₱16,811,221,475	₱16,811,221,475
Trade and other payables ²	-	-	5,668,327,586	5,668,327,586
	₱-	₱-	₱22,479,549,061	₱22,479,549,061

¹ Receivables - net excludes advances to officers and employees.

² Trade and other payables excludes output VAT, government-related obligations and advance rental.

For the Group’s financial assets and financial liabilities, which are measured at amortized cost, management has determined that their carrying amounts are equal to or approximate their fair values, except for interest-bearing loans, because of their short-term nature.

(c) Fair Value Measurement for Non-financial Assets

The Group has no non-financial assets measured at fair value as at September 30, 2020 and December 31, 2019. However, the fair values of its investment properties are required to be disclosed, as shown in Note 12 to the consolidated financial statements.

The table below shows the Levels within the hierarchy of non-financial assets (investment property), which are not carried at fair value but whose fair value are required to be disclosed on a recurring basis as at December 31, 2019.

	Level 1	Level 2	Level 3	Total
Investment property	₱-	₱1,678,727,000	₱8,563,318,810	₱10,242,045,810

In 2019, the fair value of the Group’s Investment Properties are determined on the basis of the appraisals performed by an independent external appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group’s management with respect to the determination of the inputs such as the size, age, and condition of the parcels of land and buildings, and the comparable prices in the corresponding property location.

The fair value of these parcels of land, condominium units and retail building were determined based on the following approaches:

(a) Fair Value Measurement for Land, Condominium Units and Retail Buildings

The Level 2 fair value of the parcels of land, condominium units and retail building under Investment Properties account was determined using the market approach. Parking slots presented as part of condominium units under Investment Properties account was determined using the market approach.

Under the market approach, when comparable lease offerings of similar properties and sales prices of comparable land properties in close proximity are used in the valuation of the subject property with insignificant adjustment on the price, fair value is included in Level 2. Consequently, if the observable recent prices of the reference properties were adjusted significantly for differences in key attributes such as properties size, zoning and accessibility, the fair value is included in Level 3.

The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(b) Fair Value Measurement for Improvements under Retail Buildings

The Level 2 fair value of building improvements presented as part of retail buildings under Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor’s profit, materials and

equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change on the valuation techniques used by the Group, except as indicated above, during the period for its investment properties. Also, there were no transfers into or out of Level 2 fair value hierarchy for the year ended December 31, 2019.

29. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

	September 30, 2020	December 31, 2019
Total liabilities	₱34,010,097,686	₱24,535,183,948
Total equity	15,170,766,731	13,748,258,288
Debt-to-equity ratio	2.24:1.00	1.78:1.00

The Group's goal in capital management is to limit a maximum debt-to-equity structure ratio of 75:25 on a monthly basis.

The Group is required to maintain certain financial ratios in relation with its borrowings (see Note 15). Debt-to-equity ratio, as defined by the Group's lending banks, is obtained by dividing the amount of interest-bearing loans and borrowings by total equity as shown below.

	September 30, 2020	December 31, 2019
Total interest-bearing loans and borrowings	₱23,317,667,809	₱16,846,756,577
Total equity	15,170,766,731	13,748,258,288
Debt-to-equity ratio	1.54:1.00	1.23:1.00

The Group has complied with its covenant obligations as at September 30, 2020 and December 31, 2019.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.