CR05266-2020

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended
   Dec 31, 2019
2. SEC Identification Number
   147584
3. BIR Tax Identification No.
   043-002-727-376
4. Exact name of issuer as specified in its charter
   PREMIERE HORIZON ALLIANCE CORPORATION
5. Province, country or other jurisdiction of incorporation or organization
   PHILIPPINES
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   Unit 1705, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City
   Postal Code
   1605
8. Issuer's telephone number, including area code
   (02) 8632-7715
9. Former name or former address, and former fiscal year, if changed since last report
   Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| COMMON STOCK P 0.25 PAR VALUE | 1,990,480,889 |

11. Are any or all of registrant's securities listed on a Stock Exchange?
    (●) Yes ( ) No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange - Common Shares
12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

(●) Yes ( ) No

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

( ) Yes (●) No

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

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

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

( ) Yes (●) No

## DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

-

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

-

(c) Any prospectus filed pursuant to SRC Rule 8.1

-

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*

Premiere Horizon
Invigorating the Countryside

# Premiere Horizon Alliance Corporation

# PHA

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

| | |
|---|---|
| **For the fiscal year ended** | Dec 31, 2019 |
| **Currency** | Php 000 |

**Balance Sheet**

| | Year Ending | Previous Year Ending |
|---|---|---|
| | Dec 31, 2019 | Dec 31, 2018 |
| **Current Assets** | 1,944,359 | 2,882,279 |
| **Total Assets** | 4,069,257 | 3,777,928 |
| **Current Liabilities** | 1,884,934 | 1,917,067 |
| **Total Liabilities** | 3,049,773 | 2,997,281 |
| **Retained Earnings/(Deficit)** | 91,377 | -140,690 |
| **Stockholders' Equity** | 1,019,485 | 780,647 |
| **Stockholders' Equity - Parent** | 686,017 | 277,873 |
| **Book Value Per Share** | 0.34 | 0.14 |

**Income Statement**

| | Year Ending | Previous Year Ending |
|---|---|---|
| | Dec 31, 2019 | Dec 31, 2018 |
| **Gross Revenue** | 1,246,431 | 504,747 |
| **Gross Expense** | 950,752 | 933,909 |
| **Non-Operating Income** | 822,775 | 24,543 |
| **Non-Operating Expense** | 390,261 | 346,239 |
| **Income/(Loss) Before Tax** | 295,679 | -429,162 |
| **Income Tax Expense** | 224,482 | -54,695 |
| **Net Income/(Loss) After Tax** | 71,197 | -374,467 |
| **Net Income/(Loss) Attributable to Parent Equity Holder** | 238,121 | -293,608 |
| **Earnings/(Loss) Per Share (Basic)** | 0.13 | -0.17 |
| **Earnings/(Loss) Per Share (Diluted)** | 0.11 | -0.17 |

**Financial Ratios**

| | Formula | Fiscal Year Ended | Previous Fiscal Year |
|---|---|---|---|
| | | Dec 31, 2019 | Dec 31, 2018 |
| **Liquidity Analysis Ratios:** | | | |
| **Current Ratio or Working Capital Ratio** | **Current Assets / Current Liabilities** | 1.03 | 1.5 |
| **Quick Ratio** | **(Current Assets - Inventory - Prepayments) / Current Liabilities** | 0.48 | 0.66 |
| **Solvency Ratio** | **Total Assets / Total Liabilities** | 1.33 | 1.26 |
| **Financial Leverage Ratios** | | | |
| **Debt Ratio** | **Total Debt/Total Assets** | 0.75 | 0.79 |

| | | | |
|---|---|---|---|
| **Debt-to-Equity Ratio** | **Total Debt/Total Stockholders' Equity** | 2.99 | 3.84 |
| **Interest Coverage** | **Earnings Before Interest and Taxes (EBIT) / Interest Charges** | 1.93 | -1.28 |
| **Asset to Equity Ratio** | **Total Assets / Total Stockholders' Equity** | 3.99 | 4.84 |
| **Profitability Ratios** | | | |
| **Gross Profit Margin** | **Sales - Cost of Goods Sold or Cost of Service / Sales** | 0.17 | 0.22 |
| **Net Profit Margin** | **Net Profit / Sales** | 0.17 | -0.78 |
| **Return on Assets** | **Net Income / Total Assets** | 0.02 | -0.1 |
| **Return on Equity** | **Net Income / Total Stockholders' Equity** | 0.07 | -0.48 |
| **Price/Earnings Ratio** | **Price Per Share / Earnings Per Common Share** | 2.69 | -1.92 |

| **Other Relevant Information** |
|---|
| The amendment was made to include the PHA Sustainability Report for the year 2019. |

**Filed on behalf by:**

| | |
|---|---|
| **Name** | Raul Ma. Anonas |
| **Designation** | Executive Vice President, CIO/ COO |

# COVER SHEET
## for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| 1 | 4 | 7 | 5 | 8 | 4 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|

**COMPANY NAME**

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES

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

Unit 1705, 17th Floor, East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| 17-A | CRMD | N/A |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| www.premierehorizonalliance.com | (02) 8632-7714 | N/A |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 116 | 10/24 | 12/31 |

**CONTACT PERSON INFORMATION**

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Manolo B. Tuason | N/A | 8706-2882 | N/A |

**CONTACT PERSON's ADDRESS**

Unit 1705, 17th Floor, East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City

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

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

Premiere Horizon
Invigorating the Countryside

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

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

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

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

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

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

AUGUSTO ANTONIO C. SERAFICA JR.
President & CEO

MANOLO B. TUASON
Chief Financial Officer

ANDRES A. DEL ROSARIO
Treasurer

Signed this 17th day of July 2020

SUBSCRIBE AND SWORN TO BEFORE ME
AT PASIG CITY JUL 3 0 2020 B
ABOVE AFFIANT/S.
DOC. NO. 298
PAGE NO. 61
BOOK NO. XXXI
SERIES OF 20

EDWIN G. CONDAYA
NOTARY PUBLIC
PASIG PATEROS & SAN JUAN
UNTIL DEC. 31, 2020
PTR NO. 6423914/1-2-20
IBP NO. 056031/APPT. NO. 5412019-20
ROLL NO. 26685
TIN NO. 210-588-191-000
MCLE V- 0004493
2ND FLOOR ARMAL BLDG. URBANO
VELASCO AVE. MALINAO, PASIG CITY

SGV
Building a better
working world

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

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

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

# INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Premiere Horizon Alliance Corporation
Unit 1705, 17th Floor, East Tower
Philippine Stock Exchange Center
Exchange Road, Ortigas Center, Pasig City

## Opinion

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

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

## Basis for Opinion

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which indicate that as of December 31, 2019, the Group had a liquidity gap on currently maturing liabilities amounting to ₱1.64 billion. The financial position and financial performance of the Group are also expected to be significantly impacted by the effect of COVID-19 pandemic subsequent to the end of the financial year, as disclosed in Note 38 to the consolidated financial statements. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

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

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

***Real Estate Revenue Recognition***

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

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

In measuring the progress of its performance obligation over time, the Group uses the input method. This method measures progress based on actual costs incurred such as materials, labor, and actual overhead relative to the total estimated development costs of the real estate project. The Group uses the costs accumulated by the accounting department to determine the actual resources used. The estimation of the total costs of the real estate project required technical inputs by project engineers.

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

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

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

*Audit Response*

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

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

For the application of the input method, in determining real estate revenue and cost of sales, we obtained an understanding of the Group's processes for determining the percentage of completion (POC) including cost accumulation process, and for determining and updating of total estimated costs. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced the costs accumulated including those incurred but not yet billed to supporting documents such as contracts and progress reports. We conducted ocular inspections for selected sites, made relevant inquiries and obtained the supporting details of POC reports showing the stage of completion of the major activities of the project construction. For selected projects, we obtained the approved total estimated costs and any revisions thereto to supporting details such as project costing and related addendums. We likewise performed inquiries with project engineers for the revisions.

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

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

***Adequacy of Expected Credit Losses (ECL) on Contract Receivables and Contract Assets***

As of December 31, 2019, the Group has outstanding contract receivables amounting to ₱36.43 million and contract assets amounting to ₱673.43 million, gross of allowance for expected credit losses (ECL) amounting to ₱23.68 million. The estimation of expected credit losses (ECL) of these contract receivables was significant to our audit because it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate lifetime ECL; defining default; determining assumptions to be used in the ECL model such as the expected life of the financial asset and timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

The disclosures related to contract receivables are included in Notes 3 and 5 to the consolidated financial statements.

*Audit Response*

We obtained an understanding of the approved methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money and, the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (d) tested loss given default by inspecting historical recoveries including the timing, related direct costs, and write-offs; (e) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's lending portfolios and broader industry knowledge; and (f) tested the effective interest rate, or an approximation thereof, used in discounting the expected loss.

Further, we checked the data used in the ECL models, such as the historical analysis of defaults, and recovery data, by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data. We recalculated impairment provisions on a sample basis.

***Recoverability of Deferred Exploration Costs***

As of December 31, 2019, the carrying value of the Group's deferred exploration costs amounted to ₱390.20 million. Under PFRS 6, *Exploration of Mineral Resources,* these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amount exceed the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves. We considered this as a key audit matter because of the materiality involved and the significant management judgement required in assesing whether there is any indication of impairment.

*Audit Response*

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We obtained the summary of the status of each exploration project as of December 31, 2019, as well as the relevant contracts and agreements. We obtained status of the application for renewal of licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

***Valuation of Investment Properties at Fair Value***
The Group accounts for its investment properties using the fair value model. Investment properties consist of land amounting to ₱1,298.47 million and represent 32% of the total consolidated assets as at December 31, 2019. Unrealized gain on revaluation of investment properties amounted to ₱816.49 million for the year ended December 31, 2019. The determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Thus, we considered the valuation of investment properties as a key audit matter.

The disclosures relating to investment properties are included in Note 13 to the consolidated financial statements.

*Audit Response*
We evaluated the competence, capabilities and qualifications of the external appraiser by considering their qualifications, experience and reporting responsibilities. We reviewed the methodology and assumptions used in the valuation of the investment properties. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listings of comparable properties. We also inquired from the external appraiser the basis of adjustments made to the sales price.

**Other Information**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jennifer D. Ticlao.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1758-A (Group A),
July 2, 2019, valid until July 1, 2022
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125310, January 7, 2020, Makati City

July 17, 2020

# PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2019** | 2018 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash (Note 4) | **₱81,562,429** | ₱68,980,256 |
| Receivables - net (Note 5) | **84,573,000** | 86,340,871 |
| Contract assets - current (Note 5) | **618,362,122** | 1,028,153,623 |
| Real estate held for sale (Note 6) | **1,025,557,459** | 1,606,444,142 |
| Other current assets (Note 7) | **134,303,851** | 92,359,793 |
| | **1,944,358,861** | 2,882,278,685 |
| **Noncurrent Assets** | | |
| Noncurrent portion of contract assets (Note 5) | **55,066,445** | 111,732,198 |
| Deferred exploration costs (Note 12) | **390,197,300** | 390,197,300 |
| Investment properties (Note 13) | **1,298,468,000** | – |
| Property and equipment - net (Note 11) | **310,711,952** | 294,915,396 |
| Goodwill and intangible assets (Note 10) | **19,756,818** | 20,207,375 |
| Right-of-use asset (Notes 2 and 32) | **1,350,406** | – |
| Deferred tax assets (Note 29) | **31,596,495** | 32,769,486 |
| Other noncurrent assets - net (Note 14) | **17,751,218** | 45,827,777 |
| | **2,124,898,634** | 895,649,532 |
| | **₱4,069,257,495** | ₱3,777,928,217 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Current portion of: | | |
| Short-term loans (Note 17) | **₱204,000,000** | ₱243,895,000 |
| Loans payable (Note 18) | **748,297,774** | 674,822,424 |
| Purchased land payable (Note 16) | **49,360,073** | 92,385,174 |
| Obligations under finance lease (Note 19) | **2,360,827** | 3,783,919 |
| Convertible loans (Note 20) | **112,500,000** | – |
| Installment payable (Note 19) | **58,401,035** | 8,647,991 |
| Lease liability (Notes 2 and 32) | **861,694** | – |
| Trade and other payables (Note 15) | **630,502,031** | 806,558,652 |
| Contract liabilities (Note 33) | **11,910,437** | 29,693,374 |
| Dividend payable (Note 24) | **39,800,000** | 39,800,000 |
| Capital gains tax payable - current (Note 29) | **26,940,000** | 16,815,000 |
| Income tax payable (Note 29) | – | 665,304 |
| | **1,884,933,871** | 1,917,066,838 |
| **Noncurrent Liabilities** | | |
| Noncurrent portion of: | | |
| Loans payable (Note 18) | **243,805,869** | 366,440,893 |
| Loans from third parties (Note 17) | **8,000,000** | – |
| Installment payable (Note 19) | **17,055,586** | 4,906,845 |
| Loans from officers and shareholders (Note 17) | **47,200,000** | – |
| Lease liability | **582,729** | – |
| Purchased land payable (Note 16) | – | 8,477,930 |
| Obligations under finance lease (Note 19) | – | 4,038,485 |
| Convertible loans (Note 20) | **332,033,615** | 465,425,292 |
| Callable loans (Note 21) | **22,000,000** | 15,000,000 |
| Advances from officers and employees (Note 15) | **62,280,220** | – |
| Pension liabilities (Note 23) | **25,996,477** | 13,332,705 |
| Capital gains tax payable - noncurrent (Note 29) | – | 10,125,000 |
| Deferred tax liabilities (Note 29) | **405,884,351** | 192,466,949 |
| | **1,164,838,847** | 1,080,214,099 |
| | **3,049,772,718** | 2,997,280,937 |

*(Forward)*

| | December 31 | |
|---|---|---|
| | **2019** | 2018 |
| **Equity** (Note 24) | | |
| Equity attributable to equity holders of the parent: | | |
| Capital stock | **₱497,620,222** | ₱472,715,222 |
| Additional paid-in capital (Note 20) | **97,020,326** | 66,073,918 |
| Retained earnings (Deficit) | **91,376,644** | (140,689,788) |
| Parent Company shares held by a subsidiary | **–** | (120,226,315) |
| | **686,017,192** | 277,873,037 |
| Equity attributable to non-controlling interests | **333,467,585** | 502,774,243 |
| | **1,019,484,777** | 780,647,280 |
| | **₱4,069,257,495** | ₱3,777,928,217 |

*See accompanying Notes to Consolidated Financial Statements.*

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2019** | 2018 | 2017 |
| **REVENUES** (Notes 33 and 36) | | | |
| Mining-related services | **₱340,166,458** | ₱294,933,829 | ₱247,142,428 |
| Real estate sales | **79,101,295** | 182,711,039 | 479,475,389 |
| Service income | **4,388,324** | 2,513,813 | 1,648,727 |
| Others (Note 10) | – | 45,000 | 387,213 |
| | **423,656,077** | 480,203,681 | 728,653,757 |
| **COSTS OF SALES AND SERVICES** | | | |
| Cost of real estate sales (Note 6) | **99,493,674** | 172,514,017 | 289,052,737 |
| Cost of services (Note 25) | **252,105,301** | 203,297,864 | 221,326,617 |
| | **351,598,975** | 375,811,881 | 510,379,354 |
| **GROSS PROFIT** | **72,057,102** | 104,391,800 | 218,274,403 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** (Note 26) | **208,891,623** | 211,858,036 | 179,250,587 |
| **OTHER INCOME (CHARGES)** | | | |
| Unrealized gain on revaluation of investment properties (Notes 6 and 13) | **816,485,000** | – | – |
| Interest income (Notes 4 and 5) | **6,289,729** | 4,672,603 | 7,157,849 |
| Impairment losses (Note 28) | **(58,528,808)** | (158,405,673) | (22,560) |
| Interest expense (Note 30) | **(317,964,891)** | (187,833,026) | (95,662,982) |
| Other income (charges) - net (Notes 5 and 15) | **(13,767,610)** | 19,870,590 | 26,781,592 |
| | **432,513,420** | (321,695,506) | (61,746,101) |
| **INCOME (LOSS) BEFORE INCOME TAX** | **295,678,899** | (429,161,742) | (22,722,285) |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 29) | **224,482,061** | (54,694,866) | (61,885,784) |
| **NET INCOME (LOSS)** | **71,196,838** | (374,466,876) | 39,163,499 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Item to be reclassified subsequently to profit or loss:* | | | |
| Realized gain on AFS financial assets transferred to profit or loss | – | – | 334,699 |
| *Item not to be reclassified subsequently to profit or loss:* | | | |
| Remeasurement gain (loss) on defined benefit obligation (Note 23) | **(8,437,064)** | 2,363,466 | 7,291,285 |
| | **(8,437,064)** | 2,363,466 | 7,625,984 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **₱62,759,774** | (₱372,103,410) | ₱46,789,483 |

*(Forward)*

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2019** | 2018 | 2017 |
| **NET INCOME (LOSS) ATTRIBUTABLE TO:** | | | |
| Equity holders of the parent | **₱238,120,942** | (₱293,608,419) | ₱31,675,928 |
| Non-controlling interests | **(166,924,104)** | (80,858,457) | 7,487,571 |
| | **₱71,196,838** | (₱374,466,876) | ₱39,163,499 |
| **TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:** | | | |
| Equity holders of the parent | **₱232,066,432** | (₱292,093,770) | ₱36,096,201 |
| Non-controlling interests | **(169,306,658)** | (80,009,640) | 10,693,282 |
| | **₱62,759,774** | (₱372,103,410) | ₱46,789,483 |
| **EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY** (Note 31) | | | |
| Basic earnings (loss) per share | **₱0.1266** | (₱0.1692) | ₱0.0180 |
| Diluted earnings (loss) per share | **₱0.1141** | (₱0.1692) | ₱0.0180 |

*See accompanying Notes to Consolidated Financial Statements.*

# PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to Equity Holders of the Parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock (Note 24) | Additional Paid-in Capital (APIC) | Additional Paid-in Capital on Convertible Loans (Note 20) | Total Additional Paid-in Capital | Retained Earnings (Deficit) (Note 24) | Unrealized Gain (Loss) on Available for Sale Financial Assets (Note 8) | Parent Company Shares held by a Subsidiary | Total | Attributable to Non-controlling Interests (Note 24) | Total Equity |
| Balances at January 1, 2019 | ₱472,715,222 | ₱47,383,824 | ₱18,690,094 | ₱66,073,918 | (₱140,689,788) | ₱– | (₱120,226,315) | ₱277,873,037 | ₱502,774,243 | ₱780,647,280 |
| Collection of subscription | 24,905,000 | – | – | – | - | – | – | 24,905,000 | – | 24,905,000 |
| Disposal of parent company shares held by a subsidiary | – | 30,946,408 | – | 30,946,408 | – | – | 120,226,315 | 151,172,723 | – | 151,172,723 |
| Net income for the year | – | – | – | – | 238,120,942 | – | – | 238,120,942 | (166,924,104) | 71,196,838 |
| Remeasurement loss on defined benefit obligation | – | – | – | – | (6,054,510) | – | – | (6,054,510) | (2,382,554) | (8,437,064) |
| Total comprehensive income | – | – | – | – | 232,066,432 | – | – | 232,066,432 | (169,306,658) | 62,759,774 |
| Balances as at December 31, 2019 | ₱497,620,222 | ₱78,330,232 | ₱18,690,094 | ₱97,020,326 | ₱91,376,644 | ₱– | ₱– | ₱686,017,192 | ₱333,467,585 | ₱1,019,484,777 |
| | | | | | | | | | | |
| Balances as at December 31, 2017, as previously stated | ₱472,715,222 | ₱47,383,824 | ₱18,690,094 | ₱66,073,918 | ₱186,719,419 | ₱– | (₱133,663,988) | ₱591,844,571 | ₱410,330,847 | ₱1,002,175,418 |
| Effect of adoption of PFRS 9, *Financial instruments* (Notes 2 and 5) | – | – | – | – | (7,112,820) | – | – | (7,112,820) | (5,819,581) | (12,932,401) |
| Balances at January 1, 2018, as restated | 472,715,222 | 47,383,824 | 18,690,094 | 66,073,918 | 179,606,599 | – | (133,663,988) | 584,731,751 | 404,511,266 | 989,243,017 |
| Declaration of dividends (Note 25) | – | – | – | – | (42,200,000) | – | – | (42,200,000) | – | (42,200,000) |
| Net loss for the year | – | – | – | – | (293,608,419) | – | – | (293,608,419) | (80,858,457) | (374,466,876) |
| Remeasurement gain on defined benefit obligation | – | – | – | – | 1,514,649 | – | – | 1,514,649 | 848,817 | 2,363,466 |
| Total comprehensive loss | – | – | – | – | (292,093,770) | – | – | (292,093,770) | (80,009,640) | (372,103,410) |
| Additional investment from non-controlling interest and dilution gain (Note 25) | | | | | 13,997,383 | – | – | 13,997,383 | 178,272,617 | 192,270,000 |
| Parent Company shares held by a subsidiary | – | – | – | – | – | – | 13,437,673 | 13,437,673 | – | 13,437,673 |
| Balances as at December 31, 2018 | ₱472,715,222 | ₱47,383,824 | ₱18,690,094 | ₱66,073,918 | (₱140,689,788) | ₱– | (₱120,226,315) | ₱277,873,037 | ₱502,774,243 | ₱780,647,280 |
| | | | | | | | | | | |
| Balances as at December 31, 2016 | ₱471,115,222 | ₱47,383,824 | ₱18,690,094 | ₱66,073,918 | ₱150,957,917 | (₱334,699) | (₱153,819,786) | ₱533,992,572 | ₱399,637,565 | ₱933,630,137 |
| Net income for the year | – | – | – | – | 31,675,928 | – | – | 31,675,928 | 7,487,571 | 39,163,499 |
| Remeasurement gain on defined benefit obligation | – | – | – | – | 4,085,574 | – | – | 4,085,574 | 3,205,711 | 7,291,285 |
| Realized loss on AFS financial assets | – | – | – | – | – | 334,699 | – | 334,699 | – | 334,699 |
| Total comprehensive income | – | – | – | – | 35,761,502 | 334,699 | – | 36,096,201 | 10,693,282 | 46,789,483 |
| Collection of subscription receivables | 1,600,000 | – | – | – | – | – | – | 1,600,000 | – | 1,600,000 |
| Parent Company shares held by a subsidiary | – | – | – | – | – | – | 20,155,798 | 20,155,798 | – | 20,155,798 |
| Balances as at December 31, 2017 | ₱472,715,222 | ₱47,383,824 | ₱18,690,094 | ₱66,073,918 | ₱186,719,419 | ₱– | (₱133,663,988) | ₱591,844,571 | ₱410,330,847 | ₱1,002,175,418 |

*See accompanying Notes to Consolidated Financial Statements.*

## PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2019** | 2018 | 2017 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income (loss) before income tax | **₱295,678,899** | (₱429,161,742) | (₱22,722,285) |
| Adjustments for: | | | |
| Interest expense (Note 30) | **317,964,891** | 187,833,026 | 95,662,982 |
| Depreciation and amortization (Notes 10, 11 and 32) | **115,084,790** | 89,689,006 | 88,119,085 |
| Impairment losses (Note 28) | **58,528,808** | 158,405,673 | 22,560 |
| Pension costs (Note 23) | **3,169,793** | 3,041,511 | 4,286,024 |
| Unrealized gain on revaluation of investment properties (Note 13) | **(816,485,000)** | – | – |
| Interest income (Notes 4 and 5) | **(6,289,729)** | (4,672,603) | (7,157,849) |
| Loss (gain) on: | | | |
| Disposal of property and equipment | **(329,896)** | 36,381 | 66,683 |
| Pilferage of spare parts inventory | **–** | – | 780,241 |
| Unrealized foreign exchange gain | **–** | (13,553) | – |
| Realized loss on sale of AFS financial assets | **–** | – | 334,699 |
| Recovery of impairment of film rights (Note 10) | **–** | – | (13,309) |
| Operating income (loss) before working capital changes | **(32,677,444)** | 5,157,699 | 159,378,831 |
| Decrease (increase) in: | | | |
| Receivable and contract asset (Note 5) | **468,225,125** | 389,925,106 | (112,588,892) |
| Real estate held for sale (Note 6) | **98,903,683** | (202,670,164) | (157,264,672) |
| Other current assets (Note 7) | **(42,010,058)** | 203,073,953 | (101,111,096) |
| Increase (decrease) in: | | | |
| Trade and other payables (Note 15) | **(113,776,401)** | (30,208,990) | 260,579,788 |
| Purchased land payable (Note 16) | **(51,503,031)** | (68,408,332) | (83,041,395) |
| Contract liabilities | **(17,782,937)** | – | – |
| Net cash flows from (used in) operations | **309,378,937** | 296,869,272 | (34,047,436) |
| Interest received | **6,289,729** | 4,672,603 | 7,157,849 |
| Income tax paid | **(10,556,972)** | (8,686,067) | (5,856,734) |
| Interest paid | **(324,728,473)** | (183,828,296) | (91,393,429) |
| Net cash flows provided by (used in) operating activities | **(19,616,779)** | 109,027,512 | (124,139,750) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of: | | | |
| Property and equipment | **329,896** | 46,529 | 86,313 |
| Film rights | **–** | – | 26,096 |
| Acquisitions of: | | | |
| Property and equipment (Note 11) | **(90,505,752)** | (19,348,332) | (7,510,621) |
| Deferred exploration costs (Note 12) | **–** | (127,802,761) | – |
| Increase in other noncurrent assets | **(7,791,200)** | – | (103,677,858) |
| Net cash flows used in investing activities | **(97,967,056)** | (147,104,564) | (111,076,070) |

*(Forward)*

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2019** | 2018 | 2017 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** (Note 35) | | | |
| Proceeds from: | | | |
| Loans payable | **₱–** | ₱356,423,676 | ₱730,863,200 |
| Short-term loans (Note 17) | **31,500,000** | 92,320,000 | 68,140,000 |
| Callable loans | **7,000,000** | 15,000,000 | – |
| Sale of Parent Company shares held by a subsidiary | **151,172,723** | 13,437,673 | 20,155,798 |
| Collection of subscription receivables (Note 24) | **24,905,000** | – | 1,600,000 |
| Convertible loans (Note 20) | **–** | – | 100,000,000 |
| Payments of: | | | |
| Installment payable | **–** | (3,801,664) | (27,992,410) |
| Obligation under finance lease | **(5,461,577)** | (27,854,249) | (22,345,641) |
| Short-term loans | **(16,195,000)** | (57,525,000) | (70,090,000) |
| Convertible loans (Note 20) | **(14,000,000)** | (61,500,000) | (2,000,000) |
| Loans payable | **(49,159,674)** | (289,617,150) | (583,264,192) |
| Principal portion of lease liability | **(652,379)** | – | – |
| Increase in other noncurrent liabilities | **1,056,915** | – | – |
| Net cash flows provided by financing activities | **130,166,008** | 36,883,286 | 215,066,755 |
| **NET INCREASE (DECREASE) IN CASH** | **12,582,173** | (1,193,766) | (20,149,065) |
| **EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE** | **–** | 13,553 | – |
| **CASH AT BEGINNING OF YEAR** | **68,980,256** | 70,160,469 | 90,309,534 |
| **CASH AT END OF YEAR** (Note 4) | **₱81,562,429** | ₱68,980,256 | ₱70,160,469 |

*See accompanying Notes to Consolidated Financial Statements.*

# PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate Information and Authorization for the Issuance of the Financial Statements

Premiere Horizon Alliance Corporation (PHA or the Parent Company), was registered in the Philippines Securities and Exchange Commission (SEC) on January 13, 1988 and listed in the Philippine Stock Exchange (PSE) on May 5, 1997. The Parent Company's primary purpose is to engage in business activities relating to entertainment, gaming, hotel and leisure. In 2011, the SEC approved the change in the Parent Company's secondary purpose and authorized the Parent Company to expand to mining and real estate industries.

On April 7, 2016 and May 26, 2016, the Board of Directors (BOD) and Stockholders, respectively, approved the amendments to the Articles of Incorporation of the Parent Company to change its primary purpose to that of an investment holding company, and to relegate the primary purpose to the secondary purposes and the renumbering thereof. The amendments to the Articles of Incorporation were approved by the SEC on August 10, 2016.

The Parent Company and its subsidiaries (hereinafter referred to as "the Group") is involved in mining and real estate activities.

The Parent Company's registered address and principal place of business is at Unit 1705, 17th Floor, East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City.

Status of Operations and Management Plans

The Group reported liquidity gap on currently maturing liabilities amounting to ₱1.64 billion (see Note 34). The liquidity gap on currently maturing liabilities is the excess of current financial liabilities against current financial assets. The financial position and financial performance of the Group are also expected to be significantly impacted by the effect of COVID-19 pandemic subsequent to the end of the financial year, as disclosed in Note 38 to the consolidated financial statements. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

Management is currently undertaking a combination of initiatives to address the abovementioned going concern issue to wit:

a. Reduction and efficient management of operating expenses;
b. Negotiate interest reduction and/or principal payment extensions and deferrals;
c. Secure all the unsecured loans with the assets of the Group;
d. Divest a portion of the Group's assets and investments to generate cash;
e. Obtain financial support from shareholders and/or officers for gap funding of operations; and
f. Actively seek out partnerships and new investors as a way of generating funds.

Authorization for the Issuance of the Financial Statements

On June 25, 2020, the BOD authorized the Chairman and President to approve the issuance of the 2019 audited financial statements of the Group. The consolidated financial statements of the Group as of December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019 were approved and authorized for issuance by the Chairman and President on July 17, 2020.

## 2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for investment properties that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional and presentation currency. All amounts are rounded off to the nearest peso unit unless otherwise indicated. Certain accounts have been reclassified to conform with current year presentation.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs) which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018, 3-2019 and 4-2020 for the following implementation issues affecting the real estate industry:

a. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
b. Adoption of PIC Q&A No. 2018-14: PFRS 15 – *Accounting for Cancellation of Real Estate Sales*
c. Deferment of the Implementation of IFRS Interpretations Committee ("IFRIC") Agenda Decision on Over Time Transfer of Constructed Goods [Philippine Accounting Standards (PAS) 23-Borrowing Cost] For Real Estate Industry

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

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

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

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

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

- Any contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and,
- The Parent Company's voting rights and potential voting rights.

The accompanying consolidated financial statements comprise the financial statements of the Parent Company and the following companies that it controls:

| | Country of Incorporation | Effective Percentage of Ownership 2019 Direct | 2019 Indirect | 2018 Direct | 2018 Indirect | 2017 Direct |
|---|---|---|---|---|---|---|
| West Palawan Premiere Development Corp. (WPP) | Philippines | **100** | **–** | **100** | – | 100 |
| Treasure Cove at Nagtabon Beach, Inc. (TCNBI) | Philippines | | **100** | | 100 | – |
| Premiere Georesources and Development Inc. (PGDI) | Philippines | **69** | **–** | **69** | **–** | 80 |
| Pyramid Hill Mining & Industrial Corp. (PHMIC) | Philippines | **–** | **68** | – | **68** | – |
| Palawan Star Mining Ventures, Inc. (PSMVI) | Philippines | **–** | **68** | – | **68** | – |
| Goshen Land Capital, Inc. (GLCI) | Philippines | **55** | **–** | **55** | **–** | 55 |
| Concepts Unplugged: Business Environment Solutions (CUBES), Inc.** | Philippines | **51** | **–** | **51** | – | 51 |
| Premiere Horizon Business Services, Inc. (PHBSI)** | Philippines | **100** | **–** | **100** | – | 100 |
| PH Mining and Development Corporation (PHMDC)** | Philippines | **100** | – | **100** | **–** | 100 |
| PH Agriforest Corporation (PHAC)** | Philippines | **100** | – | **100** | – | 100 |
| PH Big Bounty Entertainment, Inc. (PBBEI)** | Philippines | **100** | – | **100** | **–** | 100 |
| Digiwave Solutions Incorporated (DSI)** | Philippines | **100** | **–** | **100** | **–** | 100 |

***non-operating subsidiaries*

*WPP and TCNBI*
WPP is incorporated for the purpose of acquiring by purchase, lease, donation, or otherwise and own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop, and hold for investment or otherwise real estate of all kinds. TCNBI is engaged in the business of owning and operating hotels and other resort developments.

*PGDI*
PGDI is primarily engaged into mining related services, e.g. hauling and excavation for mining companies. In February 2015, the Parent Company acquired additional 5.24 million shares equivalent to 13.1% non-controlling interest in PGDI for a total consideration of ₱5.24 million or ₱1.0 per share, increasing its ownership interest to 80.0%. In 2018, PGDI converted its advances from the Parent Company and third parties to equity. The transaction resulted to a decrease in the ownership interest of the Parent Company to 69.2%.

*PHMIC and PSMVI*
In 2018, PGDI subscribed to 98.88% of PHMIC and 98.55% of PSMVI. The transaction is accounted for as an asset acquisition. PHMIC and PSMVI are holders of Mineral Production Sharing Agreements (MPSAs) covering approximately 10,384 hectares, containing probable commercial quality limestone deposits located in the mineralized area of Southern Palawan. As at December 31, 2019, PHMIC and PSMVI are under exploration stage and in the process of renewing their exploration period subject to evaluation and approval of the Mines and Geosciences Bureau (MGB) upon submission of requirements.

*GLCI*
In June 2015, PHA acquired 550,000 shares of GLCI representing 55% ownership interest for a total consideration of ₱275.0 million or ₱500 per share. GLCI is a real estate developer based in Baguio City and develops innovative master planned communities of low to mid rise residential and commercial condominiums including student dormitories (see Note 9).

*CUBES*
CUBES is primarily engaged in providing management, investment, and/or technical solutions to commercial, industrial, and other types of enterprises. In February 2015, PHA acquired additional 5.20 million shares in CUBES for a total consideration of ₱40.0 million increasing its ownership interest to 51.0%. In 2015, the transaction was accounted for as acquisition achieved in stages under PFRS 3, *Business Combination*. In May 2017, due to operational issues, CUBES' operations was discontinued and put on hold. As of December 31, 2019, CUBES has not yet resumed its operations, and management is currently assessing its options whether to continue its operations or sell its equipment to prospective buyers.

*DSI*
DSI previously operated e-Games stations with its primary purpose to carry out information technology and other related businesses.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Parent Company gains control or until the date when the Parent Company ceases to control the subsidiary.

All intra-group balances, transactions and gains and losses resulting from intra-group transactions and dividends are eliminated in full. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the non-controlling interests having a deficit balance.

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

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

Non-controlling Interests
NCI represent the portion of income and expense and net assets in subsidiaries that are not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separate from the equity attributable to the equity holders of the Parent Company.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

*Effective beginning on or after January 1, 2019*

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

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

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

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

| | Increase |
|---|---|
| Assets | |
| Right of use asset | ₱1,968,707 |
| Deferred tax assets | 590,612 |
| | ₱2,559,319 |
| Liabilities | |
| Lease liabilities | ₱1,968,707 |
| Deferred tax liabilities | 590,612 |
| | ₱2,559,319 |

  The Group has lease contracts for office space and parking lots, before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to the accounting policy on leases prior to January 1, 2019.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 3 for the accounting policy beginning January 1, 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

*Leases previously accounted for as operating leases*
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for all leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

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

| | |
|---|---|
| **Operating lease commitments as at December 31, 2018** | **₱2,242,887** |
| Weighted average incremental borrowing rate at January 1, 2019 | 8.56% |
| **Discounted operating lease commitments at January 1, 2019** | **1,972,987** |
| Less: Commitments relating to short-term leases | (4,280) |
| **Lease liabilities recognized at January 1, 2019** | **₱1,968,707** |

Due to the adoption of PFRS 16, the Group's operating profit in 2019 will improve, while its interest expense will increase. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 will not have an impact on equity in 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.
  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

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

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

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

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

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

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

- Annual Improvements to PFRSs 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

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

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

Standards and Interpretation Issued but Not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2020*

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

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

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

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

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

  These amendments will apply on future transactions of the Group.

*Effective beginning on or after January 1, 2021*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

The Group is not engaged in the business of insurance; hence, this standard is not applicable to the Group.

*Deferred Effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

  The Group does not expect these amendments to have significant impact to the consolidated financial statements because it does not currently have interests in associates and joint ventures.

- *PIC Questions and Answers (Q&A) 2018-12*
  On February 14, 2018, the PIC issued PIC Q&A)2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of three years until December 31, 2020:

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

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

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

  a. The accounting policies applied.
  b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
  c. Qualitative discussion of the impact to the consolidated financial statements had the concerned application guideline in the PIC Q&A has been adopted.

d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

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

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

The Group availed of the deferral of adoption of the above specific provisions of PIC Q&As. Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

- The exclusion of land in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as well as a decrease in the revenue from real estate sales in 2019 and 2018. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using EIR method and this would have impacted retained earnings and the revenue from real estate sales in 2019 and 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings and gain from repossession in 2019 and 2018. Currently, the Company records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

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

  In March 2019, International Financial Reporting Interpretations Committee (IFRIC) published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of International Financial Reporting Standards 15, *Revenue from contracts with customers* which is equivalent to PFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under International Accounting Standards 23, *Borrowing costs*, considering that these inventories are ready for their intended sale in their current condition.

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

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

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

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

Summary of Significant Accounting Policies

Current and Noncurrent Classification
The Group presents assets and liabilities in its consolidated statements of financial position based on a current and noncurrent classification.

An asset is current when it is:
- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months from the reporting date; or,
- cash and cash equivalents, unless restricted from being exchanged or used to settle a liability for at least within 12 months from the reporting date.

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

The Group classifies all other assets and liabilities as noncurrent.

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

Cash
Cash include cash on hand and in banks. Cash in banks earn interest at the prevailing bank deposit rates.

Financial Instruments - initial recognition and subsequent measurement effective January 1, 2018

Financial Instruments
*Date of recognition*
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

a. Financial assets
*Initial recognition and measurement*
Financial assets are classified, at initial recognition, as financial asset at amortized cost, fair value through OCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables, except for installment contract receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

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

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

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

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

*Subsequent measurement*
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

The Group's financial assets as of December 31, 2019 and 2018 are categorized under financial assets at amortized cost (debt instruments).

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

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

The Group's financial assets at amortized cost include cash in banks, contracts receivables, trade receivables, advances to officers and employees and receivable from PAGCOR under 'other noncurrent assets.

*Derecognition*
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

*Impairment of financial assets*
The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For contract receivables (including contract assets), the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

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

The key inputs in the model include the Group's definition of default and historical data of five years for the origination, maturity date and default date. The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

b. Financial liabilities

*Initial recognition and measurement*

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

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

This category includes the Group's trade and other payables, short-term loans, purchased land payable, loans payable obligations under finance lease, installment payable, callable loans, convertible loans, lease liability and dividends payable.

*Subsequent measurement*

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

Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL

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

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

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

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

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

This category generally applies to loans payable and convertible loans.

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

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

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

Financial Instruments
*Date of recognition*
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

*Initial recognition*
All financial assets and liabilities are initially recognized at fair value. Except for financial instruments at FVPL, the initial measurement of financial assets and liabilities includes transaction costs.

The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity investments, available-for-sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities were incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged to equity, net of any related income tax benefits.

The Group's financial assets include cash in banks, contracts receivables, trade receivables, advances to officers and employees and receivable from PAGCOR under 'other noncurrent assets', while its financial liabilities include trade and other payables, short-term loans, purchased land payable, loans payable, obligations under finance lease, installment payable, callable loans and convertible loans.

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

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial assets at FVPL.

The Group's loans and receivables pertain to cash in banks, contracts receivables, trade receivables, advances to officers and employees and receivable from PAGCOR under 'other noncurrent assets'

After initial measurement, loans and receivables are subsequently measured at amortized cost using the EIR method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included in profit or loss.

*Other financial liabilities*
Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Group's trade and other payables, short-term loans, purchased land payable, loans payable, obligations under finance lease, installment payable, callable loans and convertible loans.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Loans and receivables*

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Receivables which are compose of installment contract receivable and contract assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. Contract assets are the difference between the unbilled portion of receivable and the performance obligation. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as customer type, customer location, credit history and past due status.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Derecognition of Financial Instruments

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

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

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

*Financial liabilities*
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount of the financial liability or part of the financial liability extinguished and the consideration paid including non-cash assets transferred or liabilities assumed is recognized in profit or loss.

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

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

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

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date less estimated costs of completion and the estimated costs of sale.

Land and land development, presented as part of 'Real estate held for sale' in the consolidated statement of financial position, consists of properties for the future development that are carried at the lower of cost or NRV. The cost of land and land development include the following: (a) land acquisition cost, (b) costs incurred relative to the acquisition and transfer of land title in the name of the group such as transfer taxes and registration fees, (c) costs incurred on initial development of raw land in preparation of future projects, and (d) borrowing costs. They are transferred to 'Real estate under development' account when the project plans, development and construction estimates are completed, and the necessary permits are secured.

Other Current Assets
Other current 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 future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other assets include inventories consisting of spare parts and supplies used for the day to day repairs and maintenance of the Group's property and equipment. These are valued at the lower of cost or NRV.

Other assets that are expected to be realized for no more than twelve (12) months after the end of reporting period are classified as current assets; otherwise, these are noncurrent assets.

Property and Equipment
Property and equipment is carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use including capitalized borrowing costs incurred during the construction period.

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

Depreciation and amortization commences once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

| | Years |
|---|---|
| Office space building and office space improvements | 5-10 |
| Heavy equipment | 5-8 |
| Office and other equipment | 5 |
| Furniture and fixtures | 5 |
| Transportation equipment | 5 |

In 2017, the Group reassessed the estimated useful life of the heavy equipment from 8 years to 10 years to reflect the estimated period during which the assets are expected to remain in service.

Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated useful life of the asset of five (5) years, whichever is shorter.

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

Fully depreciated property and equipment are retained in the accounts until these are no longer in use. When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Deferred Exploration Costs
Expenditures for exploration works on mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resource) are deferred as incurred and included under "Deferred exploration costs" account in the consolidated statements of financial position. If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures, and subsequent mine development costs are capitalized as part of the mine and mining properties account classified under property, plant and equipment.

A valuation allowance is provided for unrecoverable deferred exploration costs based on the Group's assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or when the project is abandoned, the deferred exploration costs associated with the project and the related impairment provisions are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Investment Properties
Foreclosed properties of land or building and purchased land are classified under investment properties from foreclosure date and acquisition date, respectively.

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are recorded as 'Investment properties' upon: (a) entry of judgment in case of judicial foreclosure; (b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or (c) notarization of the Deed of Dacion in case of dation in payment (dacion en pago).

Subsequent to initial recognition, investment properties are stated at fair values, which have determined annually based on the latest appraisal performed by an independent firm or appraiser, an industry specialist in valuing these types of properties. Gain or loss arising from changes in the fair value of investment property is recognized in the consolidated statement of comprehensive income in the period in which they arise, including the corresponding tax effect. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

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. For a transfer from inventories to investment property at fair value, any difference between the fair value at the date of transfer and its previous carrying amount are recognized in profit or loss.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of comprehensive income under 'Gain on sale of assets' in the year of retirement or disposal.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the income or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are tested as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually of at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income.

*Film rights*

Film rights include the unamortized cost of completed theatrical films and television projects and film rights acquired. Film rights principally consist of direct production costs, production overhead, development and pre-production costs and are stated at cost less accumulated amortization and any impairment in value. Amortization of film and television production costs starts when a film is released and revenues on that film are recognized. Amortization is made in proportion to the actual income earned during the year as against total estimated income. The total estimated income is subject to periodic evaluation by management based on actual income generated from those films.

*Exclusive distribution right*

Exclusive distribution right pertains to the exclusive right to distribute the Thermo Chiller system which was acquired as a result of business combination. Exclusive distribution right is amortized on a straight line basis over its estimated useful life of ten (10) years.

Fair Value Measurements

The Group measures financial instruments and non-financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities, on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of comprehensive income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9/PAS 39 either in the consolidated statement of comprehensive income, or as a change in other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill.

Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Borrowing Costs

Interest and other related financing charges on borrowed funds used to finance the construction of a qualifying asset (included under real estate held for sale), are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress. It is suspended during extended periods in which active development is interrupted and ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. The capitalization is based on the weighted average borrowing cost.

The borrowing costs capitalized as part of real estate held for sale are expensed when the related assets are sold.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (e.g., property and equipment, investment property, exclusive distribution right, and film rights) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

*Impairment of goodwill*

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every December 31.

Convertible Loans Payable

Convertible loans payable are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible loans payable, the fair value of the liability component is determined using the market rate for an equivalent non-convertible loan. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity as part of additional-paid in capital. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible loan payable based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

When the convertible loans payable is extinguished before maturity, through an early redemptions or repurchase in which the original conversion privileges are unchanged an allocation is made for the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of transaction. The method of allocating the consideration paid and the transaction costs to the separate component is consistent with that used in the original allocation to the separate components or the proceeds received by the entity when the convertible loan payables were issued.

Equity
The Group considers the underlying substance and economic reality of its own equity instruments and not merely its legal form in determining its proper classification.

*Capital stock*
Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares.

*Subscriptions receivable*
Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

*Additional paid-in capital*
When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to 'Additional paid-in capital' account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. Equity component of convertible instruments are also included in "APIC" account.

*Dividends on common shares*
Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company.

Property dividends are recognized as a liability when the dividend is appropriately authorized and is no longer at the discretion of the Parent Company, which is the date:
- when declaration of the dividend, e.g., by management or the board of directors, is approved by the relevant authority, e.g., the shareholders, if the jurisdiction requires such approval; or
- when the dividend is declared, e.g., by management or the board of directors, if the jurisdiction does not require further approval.

*Retained earnings (Deficit)*
Retained earnings (deficit) represent the cumulative balance of periodic net income/loss, dividend distributions, prior period adjustments and effect of changes in accounting policy, equity reserves, and capital adjustment. Equity reserve transactions are recognized directly into equity as part of retained earnings or deficit. Equity reserves include the difference between the consideration paid and the carrying value of the non-controlling interest acquired or the difference between the consideration paid and the carrying value of non-controlling interest sold that do not result in loss of control.

*Parent Company shares held by a subsidiary*
If an entity reacquires its own equity instruments, those instruments "treasury shares" shall be deducted from equity. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Any difference between the carrying amount and the consideration, if reissued, is recognized in 'Additional paid-in capital'.

Revenue Recognition effective January 1, 2018

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

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

*Real estate*
The Group derives its real estate revenue from real estate development and subdivided lots. Revenue from sales of substantially completed real estate projects where collectability of sales price is reasonably assured is accounted for using the full accrual method. Revenue from the sale of real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

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

Estimated development costs of the real estate project include costs of construction cost, construction management cost, land development, planning cost, permits, borrowing cost and land cost. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

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

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

*Mining related services*
Revenue from mining related services represents earnings from the operation of the Group's hauling services and equipment rental. The Group recognizes revenue from mining related services over time as the customer simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs and it has an enforceable right to payment for performance completed to date.

As a practical expedient allowed under PFRS 15, the Group recognizes revenue in the amount for which it has the right to invoice since the Group bills a fixed amount for every output delivered.

*Service income*
Revenue from service income is recognized over time as the services are rendered.

Revenue Recognition prior to January 1, 2018
Under PAS 18, revenue is recognized when it satisfies an identified performance obligation by transferring a promised good or service in exchange of the consideration in which the Group is entitled to receive. A good or service is considered transferred when the customer obtains the significant risk and rewards of ownership. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. Revenue includes only the transaction price of the good or service. Amounts collected on behalf of third parties, such as reimbursable transactions, are not economic benefits which flow to the Group and do not result in increase in equity; therefore, they are excluded from revenue.

*Real estate sales*
Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee, Q&A 2006-01, the percentage of completion method is used to recognize income from real estate sales when the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage, and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the actual costs incurred to date over the estimated total costs of the project.

If any of the criteria under the percentage of completion is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' deposits and advances" account which is shown as part of the "Trade and other payables" account in the liabilities section of the consolidated statement of financial position.

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

*Mining related services*
Mining related services represents earnings from the operation of the Group's hauling services and equipment rental. Mining related services and equipment rental are recognized when the related hauling services has been rendered.

*Service income*
Service income is recognized when services have been rendered.

Other Income Recognition

*Income from forfeited deposits*

Deposits for reservation fee are generally non-refundable and forfeited upon cancellation of sale of condominium units or those under reservation. The amount of deposits is recognized as income when the contracts to sell (CTS) or reservation agreement between the buyer and the Group are terminated. This is recognized by the Group as part of "Other income" account in the consolidated statement of comprehensive income.

*Penalty*

Penalty pertains to income from surcharges for buyers' default and late payments. Income is recognized when buyers have defaulted in paying their dues and the collectability is reasonably assessed. This is recognized by the Group as part of "Other income" account in the consolidated statement of comprehensive income.

*Interest income*

Interest is recognized as interest accrues using the effective interest rate method.

Contract Balances

*Contracts receivables*

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

*Contract assets*

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

*Contract liabilities*

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

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

*Costs to obtain contract* (Commission expenses)

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

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

*Amortization, de-recognition and impairment of capitalized costs to obtain a contract*
The Group amortizes capitalized costs to obtain a contract over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization of cost to obtain a contract is included within "General and administrative expense".

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

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

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

Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

<u>Cost of Real Estate Sales</u>
Effective January 1, 2018, the Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land. These include construction cost, construction management cost, land development, planning cost, permits, borrowing cost and land cost. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of real estate sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

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

Prior to January 1, 2019, cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate sales before the completion of the development is determined on the basis of the acquisition cost of the land and actual development costs incurred.
The cost of inventory recognized in profit or loss on sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size.

<u>Costs of Services and Expenses</u>
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or occurrences of liabilities that result decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when good or services are used or the expense arises while interest expenses are accrued in the appropriate financial reporting period.

*Costs of services*
Costs of services are incurred in the normal course of business and are recognized when services are delivered.

*General and administrative*
General and administrative expenses are expenses that are incurred in the course of the ordinary operations of the Group. General and administrative expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

*Other income (charges)*
Other income (charges) includes interest income on contract receivables, other income and expenses which are incidental to the Group's business operations and are recognized in the consolidated statement of comprehensive income.

Pension liability

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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

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

*Employee leave entitlement*
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Taxes

*Current income tax*
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

*Deferred tax*
Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of MCIT and unexpired NOLCO can be utilized.

Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in jointly controlled entities. With respect to investments in foreign subsidiaries, associates and interests in jointly controlled entities, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered. The Group does not recognize deferred tax assets and deferred tax liabilities that will reverse during the income tax holiday (ITH).

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as of the reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value-added Tax (VAT)*
Revenues, expenses and assets are recognized, net of the amount of VAT except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of VAT included.

Output VAT is presented net of input VAT and the resulting payable is included as part of "Trade and other payables" accounts to be remitted to applicable taxation authorities. When the resulting outcome is net input VAT, it is included as part of "Other current assets" account, which can be recovered as tax credit against future tax liability of the Group.

Deferred input VAT represents input VAT on purchase of capital goods exceeding one (1) million pesos. The related input VAT is recognized over five (5) years or the useful life of the capital goods whichever is shorter. Input VAT is stated at its estimated realizable value.

Leases prior to adoption of PFRS 16

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangements.

A reassessment is made after inception of the lease only if any of the following applies:

(a) There is a change in contractual term, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

*Operating Lease – Group as a Lessee*

Leases where the lessor retains substantially all the risk and benefits of the ownership of the leased asset are classified as operating leases. Operating lease expense is recognized in the statement of comprehensive income on a straight-line basis over the lease term.

Leases effective January 1, 2019

The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as a lessee*

Except for short term leases and leases of low value assets, the Group applies as single recognition and measurement approach of all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*Right-of-use assets*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

*Lease Liabilities*
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*
The Group applies the short-term lease recognition exemption to its short-term leases of_commercial spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

EPS amounts are calculated by dividing the consolidated net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

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

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 33.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group's estimate of the probable cost is developed in consultation with its legal counsels and is based upon an analysis of potential results. Where the Group expects some or all of a provision to be

reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement. Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

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

Other comprehensive income (loss)
Other comprehensive income (loss) comprise items of income and expense that are not recognized in the profit or loss in the consolidated statement of comprehensive income for the year in accordance with PFRS.

Events after the Reporting Period
Post year-end events up to the date the consolidated financial statements are authorized for issue that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 3. Significant Accounting Judgments and Use of Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. Among the significant accounting judgments made by the Group are as follows:

*Going concern assessment*
The Group's management has made an assessment on the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue their business for the foreseeable future. Therefore, the Group's financial statements continue to be prepared under the going concern basis (see Note 38).

*Real estate revenue recognition (Effective January 1, 2018)*
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (b) application of the input method as the measure of progress in determining real estate revenue; (c) identifying performance obligation and, (d) determination of the actual costs incurred as cost of sales.

a) *Existence of a contract*
The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement and official receipts evidencing collections from buyer, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customers and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

b) *Revenue recognition method and measure of progress*
The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that the input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customer.

c) *Identifying performance obligation*
The Group has various contracts to sell covering subdivided lot and condominium units. The Group concluded that there is one performance obligation in each of these contracts because:(i) for subdivided lots, the developer integrates the plots it sells with the associated infrastructure to be able to transfer the serviced land promised in the contract; (ii) for the contract covering condominium units, the developer has the obligation to deliver the house or condominium unit duly constructed on a specific lot and fully integrated into the serviced land in accordance with the approved plan. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the customer.

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

*Operating leases - Group as lessor*
The Group has entered into operating leases on its heavy equipment. These leases do not provide for an option to purchase or transfer ownership of the property at the end of the lease and the related lease terms do not approximate the EUL of the assets being leased. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

*Sales and leaseback with repurchase option*
In 2018 and 2017, the Group has entered into a sale and leaseback with repurchase option agreement for its heavy equipment and transportation equipment. The Group is certain to exercise the repurchase option and the sale and leaseback agreement is treated as a financing arrangement. Obligations under finance lease for the sale and leaseback transaction amounted to ₱2.36 million and ₱7.82 million as at December 31, 2019 and 2018, respectively. The net book values of heavy equipment and transportation equipment in sale and leaseback transaction amounted to ₱0.35 million and ₱37.99 million as at December 31, 2019 and 2018, respectively (see Note 19).

*Distinction between real estate held for sale and investment property*
The Group determines whether a property will be classified as real estate held for sale, or investment property. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate held for sale). All other properties that are not yet determined to be sold in the normal operating cycle and are held for capital appreciation are classified as investment properties.

The aggregate carrying values of real estate held for sale amounted to ₱1,025.56 million and ₱ 1,606.44 million as of December 31, 2019 and 2018, respectively, while the carrying values of investment properties as of December 31, 2019 and 2018 were ₱1,298.47 million and nil, respectively (see Notes 6 and 13).

In 2019, the Group changed its intention over the use of its various properties from properties held for sale to properties held for capital appreciation. As a result, the Group reclassified these properties from real estate held for sale to investment properties (see Notes 6 and 13).

The Group considers each property separately in making its judgment.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Leases - Estimating the incremental borrowing rate (Effective January 1, 2019)*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Company's lease liabilities amounted to ₱1.44 million as of December 31, 2019 (see Note 32).

*Revenue recognition on real estate sales*
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Group's revenue from real estate is recognized based on the proportion of cost incurred to date over total estimated cost of the real estate project.

For the years ended December 31, 2019 and 2018, real estate sales amounted to ₱79.10 million and ₱182.71 million, respectively (see Note 33).

*Revaluation of investment properties*
The Group engaged an independent appraiser to determine the fair value of its investment properties. The fair value of investment properties was based on the valuation performed on December 14, 2019. The fair values of investment properties were determined using the Market Approach. Market Approach involves the comparison of the land to those that are located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

Fair value changes in 2019, which were recognized in profit or loss amounted to ₱816.49 million. The carrying value of investment properties as of December 31, 2019 amounted to ₱1,298.47 million (see Note 13).

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

The Group adopted the vintage analysis approach to calculate ECL for contracts receivable and contract assets. For other financial assets, ECLs are recognized in two stages. The Group will calibrate the model to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (e.g., inflation and gross value added (GVA) on real estate and ownership of dwellings) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions (e.g., inflation and GVA on real estate and ownership of dwellings) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's contract receivables and contract assets is disclosed in Note 5.

As at December 31, 2019 and 2018, allowance for expected credit losses amounted to ₱34.26 million and ₱57.76 million, respectively. The carrying value of receivables and contract assets, net of allowance for expected credit losses, amounted to ₱758.00 million and ₱1,226.23 million as at December 31, 2019 and 2018, respectively (see Note 5).

*Determining net realizable value of real estate held for sale*
The Group's estimates of net realizable value of real estate held for sale are based on the most reliable evidence available at the time the estimates are made, or the amount that the real estate held for sale are expected to be realized. These estimates consider the market conditions and prices existing at the reporting date determined by the Group in the light of recent market transactions. The Group's real estate held for sale as of December 31, 2019 and 2018 amounted to ₱1,025.58 million and ₱1,606.44 million, respectively (see Note 6).

*Evaluating impairment of deferred exploration costs*
The Group reviews the carrying values of its deferred exploration costs whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves.

An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. No impairment loss was recognized in 2019 and 2018. Deferred exploration costs amounted to ₱390.20 million as at December 31, 2019 and 2018 (see Note 12).

*Evaluating impairment of goodwill*
The Group is required to annually test the amount of goodwill for impairment. The recoverable amounts of CGUs have been determined based on value-in-use calculations using cash flow projections covering a five-year period based on long-range plans approved by management. Estimating the value-in-use require the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Management believes that a five-year cash flow projection would reflect the long term strategy of the Group for the acquisition of such CGUs.

Management used an appropriate discount rate for cash flows equal to the prevailing rates of return for a company having substantially the same risks and characteristics. Current and historical transactions have been used as indicators of future transactions.

Provision for impairment in value amounting to nil and ₱2.61 million was recognized in 2019 and 2018, respectively. The carrying value of goodwill amounted to ₱15.70 million as of December 31, 2019 and 2018 (see Note 10). Management believes that any reasonable change in any of the above key assumptions on which the recoverable amount is based on would not cause the carrying value of the goodwill to materially exceed its recoverable amount.

*Evaluating impairment of nonfinancial assets (excluding goodwill and deferred exploration costs)*
The Group reviews film rights, exclusive distribution right, and property and equipment for impairment of value. This includes considering certain indicators of impairment such as significant changes in asset usage, significant decline in the assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The following table summarizes the carrying values of the assets subject to impairment testing:

| | **2019** | 2018 |
|---|---|---|
| Property and equipment (Note 11) | **₱310,711,952** | ₱294,915,396 |
| Film rights (Note 10) | **4,055,014** | 4,505,571 |
| Other assets (Notes 7 and 14) | **152,055,069** | 138,187,570 |
| | **₱466,822,035** | ₱437,608,537 |

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the fair value less cost to sell and the value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect film rights, exclusive distribution right, and property and equipment.

In May 2017, due to operational issues, CUBES operations was discontinued and was put on hold. As of December 31, 2019, CUBES has not yet resumed its operations, and management is currently assessing its options whether to continue its operations or sell its equipment to prospective buyers. Accordingly, management has fully impaired its exclusive distribution right in 2018.

Provision for impairment in value related to the exclusive distribution right of CUBES amounting to nil and ₱105.35 million was recognized in 2019 and 2018, respectively (see Note 10).

In 2019, CUBES fully impaired its property and equipment with a net book value of ₱22.60 million (see Note 11).

*Pension and other retirement benefits*
The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected employee benefit pay out as at end of the reporting periods. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the Philippines.

As of December 31, 2019, and 2018, pension liabilities amounted to ₱26.00 million and ₱13.33 million, respectively. Remeasurement loss in defined benefit obligation recognized in other comprehensive income amounted to ₱8.44 million in 2019, while remeasurement gain in defined benefit obligation recognized in other comprehensive income amounted to ₱2.36 million and ₱7.29 million in 2018 and 2017, respectively, Pension costs reported in profit or loss amounted to ₱3.17 million, ₱3.04 million, and ₱4.67 million in 2019, 2018 and 2017, respectively (see Note 23).

*Deferred tax assets*
The Group reviews the carrying amounts of its deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income. As at December 31, 2019 and 2018, deferred tax assets recognized in the consolidated statements of financial position amounted to ₱31.60 million and ₱32.77 million, respectively (see Note 29).

As of December 31, 2019 and 2018, no deferred tax assets were recognized for NOLCO, excess MCIT over RCIT and other deductible temporary differences (see Note 29).

## 4. Cash

| | 2019 | 2018 |
|---|---|---|
| Cash on hand | **₱2,730,653** | ₱2,581,701 |
| Cash in banks | **78,831,776** | 66,398,555 |
| | **₱81,562,429** | ₱68,980,256 |

Cash in banks earn interest at the prevailing bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.11 million, ₱0.12 million, and ₱0.13 million in 2019, 2018, and 2017, respectively.

## 5. Receivables - net

| | 2019 | 2018 |
|---|---|---|
| Advances to officers and employees (Note 22) | **₱71,466,610** | ₱63,168,811 |
| Contract receivables | **36,430,270** | 61,945,279 |
| Trade receivables | **9,987,758** | 18,781,415 |
| Others | **950,509** | 205,917 |
| | **118,835,147** | 144,101,422 |
| Less allowance for impairment losses | **34,262,147** | 57,760,551 |
| | **₱84,573,000** | ₱86,340,871 |

*Advances to officers and employees*
Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures that are liquidated thirty (30) days from the date the cash advances are made.

*Contract receivables*
Contract receivables arise from sale of real estate properties. These receivables are collectible in monthly installment over a period of 1 to 10 years and bear annual effective interest rates ranging from 8.00% to 16.00%. Titles to real estate properties are not transferred to the buyers until full payment is made. Interest income on contracts receivable in the consolidated statements of comprehensive income amounted to ₱6.18 million, ₱4.55 million, and ₱7.03 million in 2019, 2018, and 2017, respectively. Income on forfeited deposits and penalties on contracts receivable included in the "Other income (charges) - net" in the consolidated statements of comprehensive income amounted to ₱20.11 million, ₱9.71 million, and ₱18.88 million in 2019, 2018 and 2017, respectively.

**Contract Assets**
The following table presents the breakdown of contracts assets by maturity dates:

| | 2019 | 2018 |
|---|---|---|
| Due within one year | ₱618,362,122 | ₱1,028,153,623 |
| Due after one year | 55,066,445 | 111,732,198 |
| | ₱673,428,567 | ₱1,139,885,821 |

The total contract price from the sale of real estate properties as of December 31, 2019 and 2018 amounted to ₱4,028.81 million and ₱4,233.84 million, respectively, which will be recognized as revenue based on the percentage of completion and accrual method used to account for the Group's projects.

Contract receivables and contract assets with a total amount of ₱111.41 million and ₱119.21 million as of December 31, 2019 and 2018, respectively, were assigned with recourse to banks and other non-bank financing institutions. These receivables were not derecognized as the Group retains substantially all risks and rewards of ownership of the receivables.

On January 1, 2018, the Group has adopted and applied for the first time PFRS 9, which resulted in an increase in the allowance for impairment losses as of that date using the modified retrospective approach amounting to ₱18.47 million.

Movement in the allowance for impairment losses on contract receivables follows:

| | 2019 | 2018 |
|---|---|---|
| Balances at beginning of year | **₱41,758,207** | ₱4,960,956 |
| Transition adjustment | **–** | 18,474,859 |
| Provision for impairment losses (Note 28) | **–** | 18,322,392 |
| Recovery for impairment losses | **(18,076,607)** | – |
| Balances at end of year | **₱23,681,600** | ₱41,758,207 |

*Trade receivables*
Trade receivables, net of allowance for impairment, include short-term and noninterest-bearing receivable arising from hauling services operations.

Movement in the allowance for impairment losses on trade receivables follows:

| | 2019 | 2018 |
|---|---|---|
| Balances at beginning of year | **₱10,154,843** | ₱29,250 |
| Provision for impairment losses (Note 28) | **–** | 10,125,593 |
| Recovery for impairment losses | **(5,421,797)** | – |
| Balances at end of year | **₱4,733,046** | ₱10,154,843 |

*Other receivables*
Other receivables pertains to advances for liquidation that are noninterest bearing and are due within one year.

Movement in the allowance for impairment losses on advances and other receivables follows:

| | 2019 | 2018 |
|---|---|---|
| Balances at beginning of year | **₱5,847,501** | ₱4,339,403 |
| Provision for impairment losses (Note 28) | **–** | 1,508,098 |
| Balances at end of year | **₱5,847,501** | ₱5,847,501 |

## 6. Real Estate Held for Sale

| | 2019 | 2018 |
|---|---|---|
| Real estate under development and subdivided lots held for sale | **₱841,131,708** | ₱997,009,865 |
| Land and land development | **184,425,751** | 609,434,277 |
| Real estate held for sale | **₱1,025,557,459** | ₱1,606,444,142 |

A summary of the movement in real estate held for sale is set out below:

| | 2019 | 2018 |
|---|---|---|
| Balance at beginning of year | **₱997,009,865** | ₱824,985,181 |
| Construction development costs incurred | **68,002,382** | 286,509,649 |
| Capitalized borrowing costs (Note 18) | **–** | 58,029,052 |
| Cost of real estate sales | **(99,493,674)** | (172,514,017) |
| Other adjustments | **(124,386,865)** | – |
| Balance at end of year | **₱841,131,708** | ₱997,009,865 |

Other adjustments mainly pertain to cancellation of a certain real estate project of the Group.

A summary of the movement in land and land development is set out below:

| | **2019** | 2018 |
|---|---|---|
| Balance at beginning of year | **₱609,434,277** | ₱578,788,797 |
| Land acquired and development cost | – | 21,759,282 |
| Capitalized borrowing costs | – | 8,886,198 |
| Reclassification to investment properties (Note 13) | **(425,008,526)** | – |
| Balance at end of year | **₱184,425,751** | ₱609,434,277 |

Real estate under development and subdivided lots held for sale include on-going residential projects of the Group. The estimated cost to complete the projects amounted to ₱587.84 million and ₱634.94 million as of December 31, 2019 and 2018, respectively.

In 2019, the Group changed its intention over the use of its various properties from properties held for sale to properties held for capital appreciation. As a result, the Group reclassified these properties with total carrying amount of ₱425.01 million from real estate held for sale to investment properties (see Notes 3 and 13).

The Group partially finances its project development through availment of loans. Capitalized borrowing costs to real estate held for sale amounted to nil and ₱58.03 million in 2019 and 2018, respectively, at a capitalization rate ranging from 5.7% to 9.0% (see Note 18).

Capitalized borrowing costs to land and land development amounted to nil and ₱8.89 million in 2019 and 2018, respectively, at a capitalization rate ranging from 5.00% to 8.00% for 2018 (see Notes 18 and 21).

As of December 31, 2019, the Group is committed to pay the outstanding balance of purchased land payable, which pertains to land acquisitions, amounting to ₱49.36 million and ₱100.86 million in 2019 and 2018, respectively. There are no other purchase commitments as of December 31, 2019.

As of December 31, 2019, and 2018, certain lots and units with carrying value of ₱117.41 million and ₱91.12 million, respectively are held as collateral for the Group's bank loans (see Note 18).

## 7. Other Current Assets

| | **2019** | 2018 |
|---|---|---|
| Input VAT - current portion and net of allowance for impairment losses | **₱56,188,237** | ₱13,232,395 |
| Tax credits | **53,929,151** | 24,724,970 |
| Advances to suppliers and contractors | **15,873,618** | 44,679,768 |
| Supplies inventory | **2,830,088** | 6,631,860 |
| Prepayments | **1,944,672** | 529,529 |
| Others | **3,538,085** | 2,561,271 |
| | **₱134,303,851** | ₱92,359,793 |

*Input VAT*
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. This is expected to be recovered against output VAT. The current portion amounting to ₱56.19 million and ₱13.23 million as of December 31, 2019 and 2018, respectively, is expected to be recovered in 2020 and 2019, respectively. The remaining balance, which are presented under the 'Other noncurrent assets' account in the consolidated statement of financial position amounting to ₱13.43 million and ₱5.84 million, as of December 31, 2019 and 2018, respectively, are recoverable in future periods after year 2020 and 2019, respectively (see Note 14).

Details of input VAT as of December 31, 2019 and 2018 follow:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Current** | **Noncurrent (Note 14)** | Current | Noncurrent (Note 14) |
| Input VAT | **₱60,624,267** | **₱17,803,208** | ₱17,602,425 | ₱10,218,156 |
| Less allowance for impairment losses | **4,436,030** | **4,377,303** | 4,370,030 | 4,377,303 |
| | **₱56,188,237** | **₱13,425,905** | ₱13,232,395 | ₱5,840,853 |

Movement in the allowance for impairment losses on input VAT follows:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Current** | **Noncurrent** | Current | Noncurrent |
| Beginning balances | **₱4,370,030** | **₱4,377,303** | ₱1,590,744 | ₱2,331,392 |
| Provision of impairment losses during the year (Note 28) | **66,000** | – | 2,779,286 | 2,045,911 |
| | **₱4,436,030** | **₱4,377,303** | ₱4,370,030 | ₱4,377,303 |

*Tax credits*
Tax credits amounting to ₱53.93 million and ₱24.72 million as of December 31, 2019 and 2018, respectively, are available for offset against income tax payable in future periods.

*Advances to suppliers and contractors*
Advances to suppliers and contractors represent down payments for development and construction contracts. The initial down payments will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the suppliers and contractors.

*Supplies Inventory*
Supplies inventory pertains to parts and materials used in the repair and maintenance of the Group's heavy equipment being used in its mining-related activities.

*Prepayments*
Prepayments include prepaid insurance which will be amortized within three (3) to twelve (12) months at the end of the financial reporting date, prepaid rent and cost to obtain contracts, i.e., commission that is related to the real estate sales.

*Others*
Other current assets mostly pertains to cash bonds of the Group.

## 8. Financial Assets at Fair Value Through OCI

The carrying value of the Group's FVOCI financial assets amounted to nil as at December 31, 2019 and 2018. In 2017, unrealized gain from changes in fair value of the quoted equity securities amounted to ₱0.03 million. In 2017, the Group disposed all of its financial assets at FVOCI.

## 9. Business Combination and Asset Acquisitions

Acquisition of PHMIC and PSMVI
In 2018, the Parent Company entered into a Memorandum of Agreement (MOA) with the shareholders of PHMIC and PSMVI which gives the Parent Company the sole and exclusive right to acquire shares of up to 100% of the total issued and outstanding common shares of PHMIC and PSMVI. The Parent Company subsequently assigned its right to PGDI, a majority-owned subsidiary. On August 28, 2018, the BOD approved the conversion of the Parent Company's advances to PGDI to equity shares allowing PGDI to own up to 100% of PHMIC and PSMVI. As of December 31, 2019 and 2018, PGDI has subscribed to 98.88% of PHMIC and 98.55% of PSMVI through conversion of its advances to equity amounting to ₱220.00 million and ₱170.00 million, respectively. The valuation of the advances converted to equity was approved by the SEC on November 20, 2018. PHMIC and PSMVI are engaged in the business of operating coal mines, and of prospecting, exploration and mining of all kinds of ores, metals, minerals, hydrocarbons, acids and chemicals, and its related by-products.

Furthermore, PGDI entered into a Deed of Assignment (DOA) with PHMIC and PSMVI wherein PGDI assigned advances to PHMIC and PSMVI amounting to ₱220.00 million and ₱170.00 million, respectively, for conversion to equity through application of advances as payment for PGDI's subscription. The valuation of the advances converted to equity was approved by the SEC on July 11, 2018.

Certain advances made in prior years were converted and used to subscribe to shares in PHMIC and PSMVI.

The transaction was accounted for as an asset acquisition. The identifiable assets acquired pertains primarily relates to deferred exploration costs (see Note 12).

Acquisition of GLCI
In June 2015, the Group acquired 550,000 shares of GLCI representing 55% ownership interest for a total consideration of ₱275.00 million or ₱500 per share. GLCI is a real estate developer based in Baguio City and develops innovative master planned communities of low to mid-rise residential and commercial condominiums including student dormitories.

The transaction was accounted for as a business combination using acquisition method. The Group elected to measure non-controlling interest at the proportionate share of non-controlling interest in the identifiable net assets of GLCI.

The Group sought an independent valuation for the land and land development owned by GLCI which was done by an independent appraiser accredited by the SEC. The Group also prepared an internal valuation of the acquired real estate held for sale. The fair value of the land and land development was based on sales comparison approach while the fair value of the real estate held for sale was based on discounted free cash flow of the GLCI. The significant assumption for the fair value of land and land development pertains to the sales price per square meter while the significant assumption for the real estate held for sale pertains to the discount rate used and the projected cash flow of GLCI.

Acquisition of CUBES
In October 2014, the Group signed a MOA with CUBES and LIMC for the acquisition of up to 51.0% ownership interest with CUBES. CUBES is engaged in the business of providing refrigeration to established cold storage facilities through a patented Thermo Chiller system developed in the United States.

In November 2014, the Group initially subscribed 5.20 million shares in CUBES representing 25.5% ownership interest for a total consideration of ₱40.0 million. The transaction was accounted for under PAS 28, *Investments in Associates and Joint Ventures* and the Group measured the investment in CUBES using equity method. Subsequently, in February 2015, the Group acquired additional 5.20 million shares in CUBES for a total consideration of ₱40.0 million increasing its ownership interest to 51.0%. In 2015, the transaction was accounted for as acquisition achieved in stages under PFRS 3, *Business Combinations.* The Group elected to measure non-controlling interest at the proportionate share of non-controlling interest in the identifiable net assets of CUBES.

In 2018, the Group fully impaired the exclusive distribution right and goodwill relating to CUBES (see Note 10). In December 2019, the Group fully impaired the property and equipment of CUBES with a net book value of ₱22.60 million (see Note 11).

## 10. Goodwill and Intangible Assets

| | 2019 | | | |
|---|---|---|---|---|
| | **Goodwill** | **Film Rights** | **Exclusive Distribution Right** | **Total** |
| **Cost:** | | | | |
| Balances at beginning and end of year | **₱556,123,930** | **₱59,641,480** | **₱150,494,041** | **₱766,259,451** |
| **Accumulated Amortization and Impairment Losses:** | | | | |
| Balances at beginning of the year | **540,422,126** | **55,135,909** | **150,494,041** | **746,052,076** |
| Amortization (Note 26) | **–** | **450,557** | **–** | **450,557** |
| Balances at end of year | **540,422,126** | **55,586,466** | **150,494,041** | **746,502,633** |
| **Net Book Values** | **₱15,701,804** | **₱4,055,014** | **₱–** | **₱19,756,818** |

| | 2018 | | | |
|---|---|---|---|---|
| | Goodwill | Film Rights | Exclusive Distribution Right | Total |
| Cost: | | | | |
| Balances at beginning and end of year | ₱556,123,930 | ₱59,641,480 | ₱150,494,041 | ₱766,259,451 |
| Accumulated Amortization and Impairment Losses: | | | | |
| Balances at beginning of the year | 537,815,010 | 54,635,290 | 30,098,808 | 622,549,108 |
| Amortization (Note 26) | – | 500,619 | 15,049,404 | 15,550,023 |
| Impairment losses (Note 28) | 2,607,116 | – | 105,345,829 | 107,952,945 |
| Balances at end of year | 540,422,126 | 55,135,909 | 150,494,041 | 746,052,076 |
| Net Book Values | ₱15,701,804 | ₱4,505,571 | ₱– | ₱20,207,375 |

Goodwill and exclusive distribution rights
The Group's goodwill pertains to: (a) the acquisition of PGDI in April 2012 amounting to ₱9.48 million, (b) the acquisition of additional interest in CUBES in February 2015 amounting to ₱2.61 million in 2017 and (c) the acquisition of GLCI in June 2015 amounting to ₱6.23 million. The exclusive distribution right asset relates to CUBES's exclusive right to distribute specific types of thermochillers in the Philippines.

Under PFRS, the Group is required to annually test the amount of goodwill and the exclusive right to distribute if there are indicators of impairment. The Group performed its impairment test on its goodwill and exclusive distribution right as of December 31, 2019 and 2018, respectively. The Group assumed that there are no cash flows considering that CUBES has ceased its operations. For goodwill allocated to PGDI and GLCI, the recoverable amounts of goodwill were determined based on fair value less costs to sell (FVLCTS) in 2019 and 2018.

The Group recognized impairment loss of ₱105.35 million on exclusive distribution right reducing the asset carrying values to nil as at December 31, 2019 and 2018, respectively.

The Group recognized impairment loss of nil and ₱2.61 million on goodwill relating to CUBES in 2019 and 2018, respectively. Impairment loss recognized for the goodwill allocated to PGDI and GLCI amounted to nil in 2019 and 2018.

Film rights

The Group holds the rights over multiple films. In 2017, the Group sold its film rights to the movie "Minsa'y Isang Gamu-Gamo" to ABS-CBN for a total consideration of ₱0.43 million which resulted to a recovery of periodically recognized impairment loss of ₱13,309. The Group did not sell any film rights in 2019 and 2018.

In 2019, 2018 and 2017, the Group recognized amortization expense on film rights amounting to ₱0.45 million, ₱0.50 million, and ₱0.56 million, respectively (see Note 26). The Group used the income approach - discounted cash flow method in the valuation of its film rights. This method assumes that the going rate per film of ₱0.75 million declines by 10.00% per year as observed in the price trends from 1998 up to the current year.

## 11. **Property and Equipment** - net

**2019**

| | Office Space Building and Office Space Improvements | Heavy Equipment | Leasehold Improvements | Furniture and Fixtures | Transportation Equipment | Office and Other Equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | |
| Balances at beginning of year | ₱20,384,323 | ₱475,726,429 | ₱8,767,230 | ₱4,037,369 | ₱68,771,695 | ₱67,547,510 | ₱696,221 | ₱645,930,777 |
| Additions | – | 132,292,860 | – | 18,035 | 12,156,513 | 7,940,129 | – | 152,407,537 |
| Disposal | – | – | – | – | (1,345,962) | – | – | (1,345,962) |
| Reclassifications | – | (4,940,000) | – | – | 4,940,000 | – | – | – |
| Balances at end of year | 20,384,323 | 603,079,289 | 8,767,230 | 4,055,404 | 84,522,246 | 75,487,639 | 696,221 | 796,992,352 |
| **Accumulated Depreciation, Amortization and Impairment Loss:** | | | | | | | | |
| Balances at beginning of year | 11,283,823 | 252,152,585 | 5,391,387 | 2,964,248 | 48,669,172 | 30,554,166 | – | 351,015,381 |
| Depreciation and amortization for the year (Notes 25 and 26) | 2,471,919 | 88,456,807 | 1,540,685 | 634,942 | 11,479,601 | 9,431,978 | – | 114,015,932 |
| Impairment (Note 28) | – | – | 1,103,663 | 27,254 | 681,111 | 20,086,800 | 696,221 | 22,595,049 |
| Disposal | – | – | – | – | (1,345,962) | – | – | (1,345,962) |
| Balances at end of year | 13,755,742 | 340,609,392 | 8,035,735 | 3,626,444 | 59,483,922 | 60,072,944 | 696,221 | 486,280,400 |
| **Net Book Values** | ₱6,628,581 | ₱262,469,897 | ₱731,495 | ₱428,960 | ₱25,038,324 | ₱15,414,695 | ₱– | ₱310,711,952 |

2018

| | Office Space Building and Office Space Improvements | Heavy Equipment | Leasehold Improvements | Furniture and Fixtures | Transportation Equipment | Office and Other Equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| Balances at beginning of year | ₱20,384,323 | ₱452,371,429 | ₱6,998,799 | ₱3,562,394 | ₱63,301,707 | ₱59,050,307 | ₱696,221 | ₱606,365,180 |
| Additions | – | 23,355,000 | 1,768,431 | 474,975 | 5,469,988 | 8,592,917 | – | 39,661,311 |
| Disposal | – | – | – | – | – | (95,714) | – | (95,714) |
| Balances at end of year | 20,384,323 | 475,726,429 | 8,767,230 | 4,037,369 | 68,771,695 | 67,547,510 | 696,221 | 645,930,777 |
| Accumulated Depreciation and Amortization: | | | | | | | | |
| Balances at beginning of year | 8,606,577 | 203,426,673 | 3,930,009 | 2,121,942 | 36,286,085 | 21,607,797 | – | 275,979,083 |
| Depreciation and amortization for the year (Notes 25 and 26) | 2,677,246 | 48,725,912 | 1,461,378 | 842,306 | 12,383,087 | 8,549,673 | – | 74,639,602 |
| Impairment | – | – | – | – | – | 409,500 | – | 409,500 |
| Disposal | – | – | – | – | – | (12,804) | – | (12,804) |
| Balances at end of year | 11,283,823 | 252,152,585 | 5,391,387 | 2,964,248 | 48,669,172 | 30,554,166 | – | 351,015,381 |
| Net Book Values | ₱9,100,500 | ₱223,573,844 | ₱3,375,843 | ₱1,073,121 | ₱20,102,523 | ₱36,993,344 | ₱696,221 | ₱294,915,396 |

The breakdown of consolidated depreciation and amortization of property and equipment follows:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Cost of services (Note 25) | **₱97,277,092** | ₱56,109,556 | ₱57,522,090 |
| General and administrative expenses (Note 26) | **16,738,840** | 18,530,046 | 12,540,341 |
| | **₱114,015,932** | ₱74,639,602 | ₱70,062,431 |

Net book values of heavy equipment and transportation equipment under finance lease amounted to nil and ₱0.35 million, respectively as at December 31, 2019.

The Group's mortgage loans are collateralized by the Company's transportation equipment with a carrying amount of ₱3.58 million and ₱5.28 million as of December 31, 2019 and 2018, respectively (see Note 18).

In December 2019, the Group fully impaired the property and equipment of CUBES with a net book value of ₱22.60 million (see Note 28).

## 12. Deferred Exploration Costs

As discussed in Note 9, in 2018, the Group acquired PSMVI and PHMIC, which are holders of Mineral Production Sharing Agreements (MPSAs).

Deferred exploration costs relate to the expenditures incurred in the exploration activities over the limestone deposits of PSMVI and PHMIC in Barangay Isumbo, Sofronio Española and Barangay Pinaglabanan, Quezon in the province of Palawan, known as the Panitian Limestone Project. The MPSAs are under the pre-operating stage and the limestone project is under the exploration stage as at December 31, 2019.

The Panitian Limestone Project in Barangay Isumbo and Pinaglabanan covers 10,384.11 hectares under MPSA 172-2001-IV and MPSA 173-2001-IV. The MPSAs were approved on January 16, 2001 and have a validity period of 25 years, expiring on January 16, 2026. As at December 31, 2019, the Group is in the process of renewing its exploration period subject to evaluation and approval of MGB upon submission of requirements.

Deferred exploration costs attributable to the Group's Panitian Limestone Project amounted to ₱390.20 million.

No impairment loss was recognized in the consolidated statements of comprehensive income in 2019 and 2018.

## 13. Investment Properties

In November 2011, the Group applied for foreclosure sale during which it was the highest bidder for the amount of the promissory note totaling ₱75.00 million. The certificate of sale was awarded to the Group on December 26, 2011. The land was classified as investment property and was recognized at purchase price plus transaction costs totaling to ₱95.39 million.

In 2016, the Group revalued its investment property to ₱425.01 million, resulting in an unrealized gain on revaluation of ₱329.62 million.

In 2017, the Group changed its intention over the use of the said property in Palawan from property held for capital appreciation to a property to be developed and sold in the future. As a result of the change of intention, the Group reclassified its land in Palawan from investment properties to real estate held for sale.

In 2019, the Group changed its intention over the use of its various properties from properties held for sale to properties held for capital appreciation. As a result, the Group reclassified these properties with total carrying amount of ₱425.01 million from real estate held for sale to investment property (see Note 6). For the year ended December 31, 2019, the Group recognized an unrealized gain on revaluation of ₱816.49 million to recognize these properties at their fair value.

Below are the investment properties of the Group per location as of December 31, 2019:

| | |
|---|---|
| Site I | ₱1,249,854,000 |
| Site II | 48,614,000 |
| | ₱1,298,468,000 |

Sites I and II are situated in Sitios Busay and Candes, respectively, both being located within Barangay Bacungan, Puerto Princesa City.

The fair value of the investment properties were determined based on valuations performed by independent qualified appraiser using the Market Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listing to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the property and were premised on the factors of location, size and shape of the lot, time, element and others. The selling price is adjusted for certain external and internal factors ranging from negative 10% to positive 35%. Under the Market Approach, a higher estimated price per square meter of the subject property would yield higher fair value. The fair value measurement for the Group's investment properties has been categorized as Level 2 based on the inputs to the valuation techniques used.

The latest valuation report was made in December 2019, with the observable inputs as follows:

| | Values | |
|---|---|---|
| Observable inputs | Site I | Site II |
| Land area (square meter) | 4,999,414 | 127,932 |
| Price per square meter | ₱250 | ₱380 |
| Fair value | ₱1,249.85 million | ₱48.61 million |

Based on the analysis of the land usage surrounding the Nagtabon, Puerto Princesa investment property, the highest and best use of the investment property for Site I is to be a commercial development such as beach resort or hotel resort and interim highest and best use for Site II is an agricultural land utilization, until such time when it is ripe for any other type of development.

Investment properties amounting to ₱49.64 million were used as collateral for callable loans and convertible loans (See Notes 20 and 21).

14. **Other Noncurrent Assets** - net

| | **2019** | 2018 |
|---|---|---|
| Input VAT - net of current portion and impairment loss (Note 7) | **₱13,425,905** | ₱5,840,853 |
| Receivable from PAGCOR | **3,042,702** | 3,042,702 |
| Security deposits | **852,022** | 848,022 |
| Advances to supplier – net | **–** | 35,867,759 |
| Others | **430,589** | 228,441 |
| | **₱17,751,218** | ₱45,827,777 |

*Input VAT – net of current portion and impairment*
The Group recognized provision for impairment loss on input VAT amounting to ₱0.07 million and ₱4.83 million, which is recorded under "Impairment losses" in the Group consolidated statements of comprehensive income in 2019 and 2018, respectively (see Note 28).

*Receivable from PAGCOR*
In 2011, the Group received a notice of garnishment for the amount of ₱3.04 million in connection with a complaint filed against Blue Sky Philko wherein the Group was made as a co-defendant. Accordingly, the Group's commission from PhilWeb for the same amount was lodged under the custody of PAGCOR. As of December 31, 2019, the case is pending before the Quezon City Regional Trial Court.

*Advances to supplier*
Advances to supplier represents down payment for the acquisition of thermochiller, installation cost and other parts of machinery and equipment. The initial down payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the supplier.

Impairment loss on advances to supplier recognized in the consolidated statements of comprehensive income amounted to ₱35.87 million and ₱15.06 million for the years ended December 31, 2019 and 2018, respectively (see Note 28). Allowance for impairment loss amounted to ₱50.93 million and ₱15.06 million as of December 31, 2019 and 2018, respectively.

*Security deposits*
Security deposits pertain to the deposits paid by the Group to certain lessors at the inception of the lease contracts to be refunded at the end of the lease term. In 2018, the Group impaired its security deposit, recognizing a loss of ₱0.15 million (see Notes 28 and 33).

15. **Trade and Other Payables**

| | **2019** | 2018 |
|---|---|---|
| Trade payables: | | |
| Third parties | **₱54,214,325** | ₱127,362,596 |
| Related parties (Note 22) | **68,666,855** | 12,176,252 |
| Customers' deposits and advances | **144,950,000** | 103,525,000 |
| Advances from shareholder (Note 22) | **107,152,205** | 166,027,985 |
| Accrued expenses | **71,050,955** | 24,185,570 |
| Retention payable | **59,373,524** | 54,430,490 |
| Advances from third parties (Note 22) | **54,162,732** | 141,234,517 |
| Deferred output VAT | **45,362,614** | 103,420,222 |

*(Forward)*

| | 2019 | 2018 |
|---|---|---|
| Voucher's payable | **₱37,146,371** | ₱8,280,328 |
| Customer's refunds | **27,308,674** | 8,352,186 |
| Others | **23,393,996** | 57,563,506 |
| | **692,782,251** | 806,558,652 |
| Less: Noncurrent portion of advances from key officers and shareholders | **62,280,220** | – |
| | **₱630,502,031** | ₱806,558,652 |

*Trade payables - Third parties*
Trade payable to third parties relates to construction and development costs payable to contractors and suppliers. These are non-interest-bearing and are normally settled within one year after the reporting date.

*Customers' deposits and advances*
Customers' deposits and advances represent cash received from real property buyers based on the terms of the agreement executed during the year. These deposits will be applied to any receivable upon execution of the contract to sell and fulfilment by both parties of certain undertakings and conditions.

Certain agreements provide real property buyers to pay nonrefundable deposits. Nonrefundable deposits received amounting to nil, ₱10.26 million and ₱8.00 million are recorded as "Other income (charges) - net" in the consolidated statement of comprehensive income in 2019, 2018, and 2017, respectively.

*Advances from third parties*
Advances from third parties pertain to cash received by the Group to fund real estate projects and mining which are noninterest bearing and payable on demand.

*Advances from shareholder*
Advances from shareholder pertains to the outstanding advances from PHA's shareholder in relation to the expenses incurred on the development activities of Panitian Limestone Project.

*Accrued expenses*
Accrued expenses are comprised of accruals to interest, salaries and benefits, professional fees and other taxes which are expected to be settled within twelve (12) months from the end of the reporting period.

*Retention payable*
Retention payable is a percentage of the amount certified as due to the contractor on an interim certificate, that is deducted from the amount due and retained by the Group. The retained amount will be released to the contractors upon completion and satisfaction of the terms and conditions of the related construction contracts.

*Deferred output VAT*
Deferred output tax pertains to the VAT charged to the buyers on installment upon contracting of real estate sale but were not yet collected as of reporting date. Further, upon collection of the installment receivables, the equivalent output tax from collected installment receivables are included in the current VAT payable of the month when collection is made.

*Voucher's payable*
Vouchers payable are outstanding checks related to unpaid liabilities for general expenses.

*Customer's refunds*
Customers' refunds mainly consist of refund liability to the customers from a cancelled real estate project of the Group and liabilities for other cancelled real estate sales.

*Others*
Others include withholding taxes and other amounts payable to the Philippine Government. These are noninterest-bearing and are generally settled in thirty (30) to forty-five (45) days.

## 16. Purchased Land Payable

Purchased land payable pertains to noninterest bearing payable to real estate property seller under the terms of agreement executed by the Group for the purchase of land.

Details of purchased land payable as of December 31, 2019 and 2018 are as follows:

| | **2019** | 2018 |
|---|---|---|
| Current | **₱49,360,073** | ₱92,385,174 |
| Noncurrent | – | 8,477,930 |
| | **₱49,360,073** | ₱100,863,104 |

## 17. Short-term Loans

| Party | Year | Principal | Outstanding Balance | Terms | Conditions |
|---|---|---|---|---|---|
| Banks | **2019** | **₱15,000,000** | **₱15,000,000** | 180 to 360 days; | Unsecured |
| | 2018 | 57,730,000 | 22,695,000 | 6.50% to 6.75% | |
| | | | | per annum; | |
| Shareholders and Officers (Note 22) | **2019** | **6,000,000** | **5,000,000** | 180 to 360 days | Unsecured |
| | 2018 | 51,520,000 | 47,700,000 | 6.00% per annum | |
| Third Parties | **2019** | **207,000,000** | **184,000,000** | 180 to 360 days; | Unsecured |
| | 2018 | 192,170,000 | 173,500,000 | 7.5% to 12.0% | |
| | | | | per annum | |
| Total | **2019** | **₱228,000,000** | **₱204,000,000** | | |
| | 2018 | 301,420,000 | 243,895,000 | | |

Short-term loans were obtained to finance the working capital requirements of the subsidiaries and partially finance the acquisition of the Group's heavy equipment.

Total interest expense on short-term loans amounted to ₱60.03 million, ₱19.39 million and ₱4.88 million in 2019, 2018 and 2017, respectively (Note 30).

<u>Loans from officers and shareholders - noncurrent</u>
In 2019, the Group was able to secure several letters from its shareholders and officers representing their agreement to defer the collections of their short-term loans with the Group until December 31, 2021. Total amount of loans with payments deferred until December 31, 2021 amounted to ₱47.20 million as of December 31, 2019 and was accordingly presented as "Loans from Officers and

Shareholders" under Noncurrent liabilities in the statements of financial position (see Note 22). These unsecured loans are interest bearing at 6% per annum.

Loans from third parties - noncurrent
In 2019, the Group was able to secure several letters from third party creditors representing their agreement to defer the collections of their short-term loans with the Group until December 31, 2021. Total amount of loans with payments deferred until December 31, 2021 amounted to ₱8.00 million as of December 31, 2019 and was accordingly presented as "Loans from Third Parties" under Noncurrent liabilities in the statements of financial position. These unsecured loans are interest-bearing at 7.5% to 12% per annum.

## 18. Loans Payable

This account consists of:

| | 2019 | 2018 |
|---|---|---|
| Loans payable - unsecured | **₱476,182,251** | ₱375,700,412 |
| Loans payable - secured by real estate mortgage | **401,376,411** | 544,049,635 |
| Loans payable – mortgaged | **3,137,650** | 4,696,700 |
| Loans payable - secured by contract receivables and contract assets (Note 5) | **111,407,331** | 116,816,570 |
| Total loans payable | **992,103,643** | 1,041,263,317 |
| Less noncurrent portion of loans payable | **243,805,869** | 366,440,893 |
| Current portion of loans payable | **₱748,297,774** | ₱674,822,424 |

*Loans payable – unsecured, secured by real estate mortgage and mortgaged*
Loans payable - unsecured and secured by real estate mortgage represents loans with interest rate at prevailing market rates ranging from 1.5% to 10.0% within one to five years. Loans payable – mortgaged pertains to car loans for vehicles used in operations availed of by the Group. The current and noncurrent portions of long-term loans payable are as follows:

| Party | Year | Principal | Outstanding Balance | Terms | Conditions |
|---|---|---|---|---|---|
| Philippine Veterans Bank | **2019**<br>2018 | **₱314,000,000**<br>242,000,000 | **₱209,528,963**<br>202,556,394 | 5 years; 9.65% to 10.99% per annum | Secured by a real estate mortgage on certain parcels of land |
| Bank of Makati | **2019**<br>2018 | **80,000,000**<br>80,000,000 | **33,699,248**<br>80,000,000 | 4 years; 7.50% per annum | Secured by a real estate mortgage on certain parcel of land |
| Union Bank of the Philippines | **2019**<br>2018 | **67,548,000**<br>82,548,000 | **23,383,296**<br>68,077,427 | 5 years; 6.00 to 9.68% per annum | Secured by a real estate mortgage on certain property and collateralized transportation equipment |
| Zambales Bank | **2019**<br>2018 | **25,000,000**<br>15,000,000 | **13,768,137**<br>8,537,614 | 5 to 10 years; 8.00% per annum | Secured by a real estate mortgage on certain parcel of land |

*(Forward)*

| Party | Year | Principal | Outstanding Balance | Terms | Conditions |
|---|---|---|---|---|---|
| Sterling Bank of Asia | **2019** | **₱31,500,000** | **₱8,512,462** | 1 year; 8.75% to 10.50% per annum | Secured by a real estate mortgage on certain property |
| | 2018 | 31,500,000 | 24,165,000 | | |
| Tanay Rural Bank | **2019** | **10,000,000** | **8,048,940** | 2 years; 18.00% per annum | Secured by a real estate mortgage on certain property |
| | 2018 | – | – | | |
| BDO Unibank, Inc. | **2019** | **4,831,200** | **1,384,815** | 5 years; 9.95% per annum | Collateralized By transportation equipment |
| | 2018 | 4,831,200 | 2,451,580 | | |
| Bank of the Philippine Islands | **2019** | – | – | – | – |
| | 2018 | 190,000,000 | 84,748,961 | 4 to 6 years; 5.67% to 6.00% per annum; Quarterly repricing of interest rate | Secured by a real estate mortgage and certain parcel of land |
| Philippine Savings Bank | **2019** | – | – | 5 years 6.03% to 11.00% | Unsecured |
| | 2018 | 8,277,510 | 1,025 | | |
| Other financing institutions | **2019** | **127,421,540** | **106,188,199** | 1 to 3 years; 10% to 33% per annum | Secured by a real estate mortgage and certain parcel of land |
| | 2018 | 78,500,000 | 78,208,334 | | |
| Other financing institutions | **2019** | **551,169,362** | **476,182,252** | 1 to 3 years; 10% to 33% per annum | Unsecured |
| | 2018 | 589,503,000 | 375,700,412 | | |
| Total | **2019** | **1,211,470,102** | **880,696,312** | | |
| | 2018 | 1,322,759,710 | 924,446,747 | | |
| Less noncurrent portion of loans payable | **2019** | | **197,780,954** | | |
| | 2018 | | 364,273,819 | | |
| Current portion of loans Payable | **2019** | | **₱682,915,358** | | |
| | 2018 | | ₱560,172,928 | | |

*Loans payable - secured by contract receivables and contract assets (Note 5)*
The Group entered into loan agreements with different banks and other non-bank financing institutions to assign with recourse CTS of unit buyers payable in monthly amortization of up to five years and bears interest rates ranging from 7.30% to 9.00%. The following table presents the breakdown by maturity dates:

| | **2019** | 2018 |
|---|---|---|
| Due within one year | **₱65,382,416** | ₱114,649,496 |
| Due after one year | **46,024,915** | 2,167,074 |
| | **₱111,407,331** | ₱116,816,570 |

Interest expense arising from the loans payable recognized in the consolidated statements of comprehensive income amounted to ₱217.16 million, ₱135.09 million, and ₱67.32 million in 2019, 2018, and 2017, respectively (see Note 30). In 2019, 2018, and 2017, capitalized borrowing cost amounted to nil, ₱58.03 million and ₱25.11 million, respectively, at a capitalization rate ranging from 5.7% to 9.0% (see Note 6).

GLCI's debt instruments contain restrictive covenants. Development Bank of the Philippines requires maintenance of long-term debt-to-equity ratio of 75:25, current ratio of not less than 1:1.2 and debt-to-service coverage ratio of 1:1. Philippine Veterans Bank restricts payment and declaration of cash dividends, management bonus or profit sharing to, or making any loans or advances to the Group's directors, officers and stockholders, sale of significant assets and requires maintenance of debt-to-equity ratio of 1.5:1. Maybank Philippines, requires debt-to-service ratio of not less than 1.25 throughout the term of the loan while Sterling Bank of Asia prohibits dividend declaration or allowances to officers or stockholders if the total debt to equity ratio exceed 3:1. As of December 31, 2019, GLCI was able to meet the required debt covenants except for debt-to-equity ratio and debt-to-service coverage ratio, resulting to reclassification of loans payable amounting to ₱1.41 million from noncurrent to current liabilities as of December 31, 2019. Total outstanding balance of loans payable with breached debt covenants amounted to ₱261.70 million under Current Liabilities as of December 31, 2019.

The schedule of maturities of the loans payable of the Group as of December 31 follows:

| | **2019** | 2018 |
|---|---|---|
| Less than one year | **₱748,297,774** | ₱674,822,424 |
| One to two years | **203,124,516** | 204,467,371 |
| More than two years | **40,681,353** | 161,973,522 |
| | **₱992,103,643** | ₱1,041,263,317 |

## 19. Obligation under Finance Lease and Installment Payable

Obligation Under Finance Lease
Details of obligation under finance lease follow:

| | **2019** | 2018 |
|---|---|---|
| Current | **₱2,360,827** | ₱3,783,919 |
| Noncurrent | **–** | 4,038,485 |
| | **₱2,360,827** | ₱7,822,404 |

In 2017 and 2016, the Group entered into a sale and leaseback agreement with BPI Century Tokyo Rental Corporation for its heavy equipment and transportation equipment for the total consideration of ₱70.60 million and ₱7.41 million, respectively. The obligations are payable in equal monthly installments until January 2020.

Interest expense arising from obligations under finance lease amounted to ₱0.70 million, ₱1.60 million and ₱3.98 million in 2019, 2018, and 2017, respectively (see Note 30).

Net book values of heavy equipment and transportation equipment under finance lease amounted to ₱0.35 million and ₱37.99 million as at December 31, 2019 and 2018, respectively.

Installment Payable
Details of installment payable follow:

| | **2019** | 2018 |
|---|---|---|
| Current | **₱58,401,035** | ₱8,647,991 |
| Noncurrent | **17,055,586** | 4,906,845 |
| | **₱75,456,621** | ₱13,554,836 |

In 2018, the Group acquired additional heavy equipment amounting to ₱19.29 million. The Group initially paid ₱1.90 million and the remaining balance to be paid in equal monthly installments of ₱0.78 million to be applied to interest and principal for a period of twenty-four months with an interest rate of 8% per annum.

In 2019, the Group purchased heavy equipment from QSJ Motors Phils Inc. amounting to ₱132.29 million. The Group initially paid ₱26.75 million and the remaining balance will be paid on an equal monthly installment of ₱5.20 million to be applied on interest and principal for a period of twenty four (24) months with an interest rate of 8% per annum.

Installment payable amounted to ₱75.46 million and ₱13.55 million as of December 31, 2019 and 2018, respectively.

Interest expense arising from the installment payable amounted to ₱7.51 million, ₱0.59 million and ₱0.48 million in 2019, 2018 and 2017, respectively (see Note 30).

## 20. Convertible Loans

In 2016 and 2015, the Group issued convertible notes amounting to ₱26.0 million and ₱408.0 million, respectively, to various individuals and corporations (see Note 22). The convertible notes have a term of three years, with fixed interest rates ranging from 6.5% to 12.0% per annum, payable on a quarterly basis and are exchangeable into fully paid and non-assessable listed PHA's common shares at a price of ₱1.00 per share. The notes allow the holder to participate in a planned stock rights offer (SRO) even while the loan is outstanding. A nil-paid, detachable warrant is also issued to the holder for every ten (10) notional common shares, excluding the rights shares, regardless of whether or not the holder subscribes to the stock rights. Each warrant shall entitle the holder to subscribe to one (1) PHA's common share. In the event of default, the lender shall be entitled, but not obliged, to convert all or a portion of the loan into fully paid and non-assessable listed PHA's common shares. The terms and conditions of said conversion shall be mutually agreed upon by the parties. If the lender does not exercise its rights to conversion, the holder may declare the entire loan including the interest, immediately due and demandable.

In 2019, the Group entered into new agreements with its creditors to extend the term of its convertible notes for another three years after its original maturity date. As of December 31, 2019, the 'day 1' difference resulting from the extension amounted to ₱6.89 million.

In 2017, the Group entered into a ₱100 million loan agreement with Treasure Island Industrial Corporation (TIIC), subject to 6.5% interest payable in two (2) years. TIIC is a related party holding 17.33% ownership of PGDI (see Note 22).

The loan proceeds will be used by the Group to finance the development activities of its properties in Palawan.

The instrument is accompanied by the following options: up to ₱50 million of the loan may be converted to new shares of WPP corresponding to 5.0% of WPP post-conversion effectively at a valuation of ₱1.0 billion. The ₱100 million loan amount, in whole or in part, may be convertible to lots in the Kattinger-Nagtabon property at an agreed upon discount to the opening Joint Venture price and as soon as the Joint Venture agreement with Kattinger group is signed and agreed on by all parties concerned. The ₱100 million loan amount, in whole or in part, may be convertible to parcels of the security lots in North Cove at a price of ₱1,000 per square meter.

The notes together with its features were also evaluated to determine if the embedded components qualify as derivatives to be separately accounted for under PFRS 9. As result of this evaluation, the Group identified the conversion rights with detachable warrants as derivative financial instruments to be taken up as equity. Using the residual approach, the proceeds are allocated between the debt instrument and the conversion rights with detachable warrants. The equity component on the convertible loan issued in 2017 amounted to ₱18.69 million.

Classification of the Group's convertible loans payable as of December 31, 2019 and 2018 follows:

| | 2019 | 2018 |
|---|---|---|
| Current | **₱112,500,000** | ₱– |
| Noncurrent | **332,033,615** | 465,425,292 |
| | **₱444,533,615** | ₱465,425,292 |

Movement in the convertible loans as of December 31, 2019 and 2018 follows:

| | 2019 | 2018 |
|---|---|---|
| Beginning balances | **₱465,425,292** | ₱522,920,562 |
| Amortization (Redemption) of day 1 difference | **(6,891,677)** | 4,004,730 |
| Payments | **(14,000,000)** | (61,500,000) |
| | **₱444,533,615** | ₱465,425,292 |

As at December 31, 2019 and 2018, equity portion of convertible loans payable lodged under APIC in the consolidated statements of financial position amounted to ₱18.69 million.

Movement in unamortized 'Day 1' difference as of December 31, 2019 and 2018 follows:

| | 2019 | 2018 |
|---|---|---|
| Beginning balances | **₱5,074,888** | ₱9,079,618 |
| Redemption (Amortization) of day 1 difference | **6,891,677** | (4,004,730) |
| | **₱11,966,565** | ₱5,074,888 |

In 2019, 2018, and 2017, interest expense on the convertible loans, including the amortization of day 1 difference, recognized in profit or loss amounted to ₱32.42 million, ₱31.17 million and ₱19.01 million, respectively (see Note 30).

## 21. Callable Loans

On July 6, 2018, the Group entered into an unsecured ₱15.0 million loan agreement with Kapatiran sa Kasaganaan Service & Multi-Purpose Cooperative, subject to 8% interest payable after 3 years. In 2019, multiple additional drawdowns amounting to ₱7.00 million has been received, subject to 8% interest rate per annum payable in 3 years.

The loan proceeds will be used by the Group to finance land developments in Nagtabon beach property and to finance the purchase of Manalo and Javarez lot.

The instrument is accompanied by the following options:

a. The Borrower shall have the option to prepay the loan in full or in partial without any penalty chargeable against it, subject to the following conditions:

   i. The Borrower shall give the Lender written notice of such prepayment not less than Thirty (30) days before the proposed prepayment date, which notice, once given, shall be irrevocable and binding on the Borrower;
   ii. The amount payable in respect of each prepayment shall be the full or partial outstanding principal amount of the Loan plus accrued but unpaid interest, penalties and other applicable charges;
   iii. Any amount prepaid may not be re-borrowed hereunder.

Interest expense capitalized as part of land development under "Real estate held for sale" amounted to nil and ₱8.89 million for 2019 and 2018, respectively.

## 22. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group discloses the nature of the related party relationship and information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the consolidated financial statements, including, as a minimum, the amount of outstanding balances and its terms and conditions including whether they are secured, and the nature of the consideration to be provided in settlement. The Group has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2019 and 2018. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

The Group, in the normal course of business, has transactions and account balances with related parties consisting mainly of the following:

| Nature | Relationship | Year | Amount/ Volume | Outstanding Balance | Terms | Conditions |
|---|---|---|---|---|---|---|
| *Receivables (Note 5)* | | | | | | |
| Advances | Officers | **2019** | **₱8,356,482** | **₱71,525,293** | Due and demandable; non-interest Bearing | Unsecured |
| | | 2018 | 12,019,302 | 63,168,811 | | |

| Nature | Relationship | Year | Amount/ Volume | Outstanding Balance | Terms | Conditions |
|---|---|---|---|---|---|---|
| *Loans from officers and shareholders (Note 17)* | | | | | | |
| Short-term loans | Officers & Shareholders | **2019**<br>2018 | **₱6,000,000**<br>51,520,000 | **₱5,000,000**<br>47,700,000 | 180 to 360 days; 6.0% interest rate | Unsecured |
| Long-term loans | | **2019**<br>2018 | **47,200,000**<br>– | **47,200,000**<br>– | 2 years; 60% interest rate | Unsecured |
| *Convertible loans (Note 20)* | | | | | | |
| Convertible loans | Officers | **2019**<br>2018 | **₱–**<br>– | **₱136,000,000**<br>136,000,000 | 3 years; 6.5% to 12.0% interest rate; Convertible to PHA shares | Secured by WPP shares |
| | Related Party | **2019**<br>2018 | **–**<br>– | **100,000,000**<br>100,000,000 | 2 years; 6.5% interest rate Convertible to WPP shares or lots of WPP real estate properties | Secured by real estate properties |
| | | **2019**<br>2018 | **₱–**<br>– | **₱236,000,000**<br>236,000,000 | | |
| *Trade and other payables (Note 15)* | | | | | | |
| Advances from TIIC | Related Party | **2019**<br>2018 | **₱–**<br>– | **₱30,000,000**<br>30,000,000 | Due and demandable; non-interest Bearing | Unsecured |
| Management fees | Officers | **2019**<br>2018 | **1,636,398**<br>400,000 | **1,636,398**<br>400,000 | Due and demandable; non-interest Bearing | Unsecured |
| Advances from shareholders | Officers | **2019**<br>2018 | **–**<br>147,804,237 | **81,902,444**<br>147,804,237 | Due and demandable; non-interest Bearing | Unsecured |
| Advances from shareholders | Officers | **2019**<br>2018 | **62,280,220**<br>– | **62,280,220**<br>– | 2 years; non-interest Bearing | Unsecured |
| | | **2019**<br>2018 | **₱63,916,618**<br>148,204,237 | **₱175,819,062**<br>178,204,237 | | |

In October 2019, in compliance with SEC Memorandum Circular No. 10-2019, the Group adopted and implemented its Material Related Party Transactions Policy. The policy covers all the Group's material related party transactions, defined as:

i. A single transaction with a related party amounting to 10% or higher of the Group's total consolidated assets; or
ii. Several transactions or a series of transactions over a twelve-month period with the same related party amounting to 10% or higher of the Group's total consolidated assets.

Transactions amounting to 10% or more of the total consolidated assets of the Group that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in the policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the material related party transaction to the requirements of the Material Related Party Transaction Policy. The prospective treatment should, however, be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

All individual material related party transactions shall be approved by the majority vote of the board of directors and shareholders. For aggregate related party transactions within a twelve-month period that breaches the materiality of 10% of the Group's total assets, board and shareholders' approval would be required for the transactions that meets and exceeds the materiality threshold.

Directors and/or shareholders with personal interest in the transaction should abstain from discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining majority approval.

Compensation of Group's Key Management Personnel
Compensation of the Group's key management personnel consists of short-term employee benefits amounting to ₱40.66 million, ₱39.27 million, and ₱37.82 million in 2019, 2018, and 2017, respectively. There are no post-employment benefits in 2019, 2018, and 2017. There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plan.

## 23. Pension Liabilities

The Group has an unfunded non-contributory defined benefit plan covering all regular employees. Benefits are based on the employee's years of service and final plan salary.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the unfunded status and amounts recognized in the consolidated statements of financial position and the components of the net benefit expense recognized in the consolidated statements of comprehensive income for the pension plan.

Pension cost recognized in the consolidated statements of comprehensive income:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Service cost | **₱2,172,108** | ₱2,275,664 | ₱3,664,403 |
| Interest expense on defined benefit obligation | **997,685** | 765,847 | 1,004,528 |
| | **₱3,169,793** | ₱3,041,511 | ₱4,668,931 |

Remeasurement gains (losses) on defined benefit obligation to be recognized under OCI in the consolidated statements of comprehensive income:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Actuarial gains (losses) due to: | | | |
| Changes in: | | | |
| Financial assumptions | **(₱6,585,297)** | ₱3,486,173 | ₱6,836,928 |
| Demographic assumptions | **(1,037,849)** | 757,852 | 58,677 |
| Experience adjustments | **(1,870,833)** | (1,351,902) | 3,331,759 |
| Other adjustments | **1,465,543** | – | – |
| Remeasurement gains (losses) on defined benefit obligation | **(8,028,436)** | 2,892,123 | 10,227,364 |
| Income tax effect | **(408,628)** | (528,657) | (2,936,079) |
| Remeasurement gain (loss) | **(₱8,437,064)** | ₱2,363,466 | ₱7,291,285 |

Remeasurement gains and losses on defined benefit obligation recognized under OCI in the consolidated statements of comprehensive income are shown net of tax amounting to ₱0.41 million in 2019, ₱0.53 million in 2018 and ₱2.94 million in 2017.

Cumulative remeasurement effect recognized in OCI included in the 'retained earnings' under equity attributable to equity holders of the Parent and equity attributable to non-controlling interests:

| | **2019** | 2018 |
|---|---|---|
| **Equity attributable to equity holders of the parent** | | |
| Balances at beginning of year | **₱7,368,843** | ₱5,854,194 |
| Actuarial gain (loss) | **(5,842,874)** | 1,828,582 |
| Total | **1,525,969** | 7,682,776 |
| Income tax effect | **(190,977)** | (313,933) |
| Balances at end of year | **1,334,992** | 7,368,843 |
| **Equity attributable to non-controlling interests** | | |
| Balances at beginning of year | **5,402,754** | 4,553,937 |
| Actuarial gain (loss) | **(2,185,562)** | 1,063,541 |
| Total | **3,217,192** | 5,617,478 |
| Income tax effect | **(217,651)** | (214,724) |
| Balances at end of year | **2,999,541** | 5,402,754 |
| Total amount recognized in OCI | **₱4,334,533** | ₱12,771,597 |

Changes in the present value of the defined benefit obligation are as follows:

| | **2019** | 2018 |
|---|---|---|
| Defined benefit obligation at beginning of year | **₱13,332,705** | ₱13,183,317 |
| Service cost | **2,172,108** | 2,275,664 |
| Interest expense on defined benefit obligation | **997,685** | 765,847 |
| Actuarial losses (gains) due to: | | |
| Changes in financial assumptions | **6,585,297** | 1,351,902 |
| Experience adjustments | **1,870,833** | (3,486,173) |
| Changes in demographic assumptions | **1,037,849** | (757,852) |
| Defined benefit obligation at end of year | **₱25,996,477** | ₱13,332,705 |

The cost of defined benefit pension plans as well as the present value of the pension liabilities is determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used to determine pension for the Group are as follows:

| | Discount rate | | Future salary increase rate | |
|---|---|---|---|---|
| Entity Name | **2019** | 2018 | **2019** | 2018 |
| PHA | **5.54%** | 7.70% | **5.00%** | 5.00% |
| PGDI | **5.36%** | 7.53% | **10.00%** | 10.00% |
| GLCI | **4.91%** | 7.33% | **5.00%** | 5.00% |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

| | | Effect on the retirement benefit obligation | | |
|---|---|---|---|---|
| | Increase (Decrease) | PHA | PGDI | GLCI |
| Discount rate | +100bps | (₱184,654) | (₱3,185,335) | (₱3,874,476) |
| | -100bps | 234,978 | 4,105,527 | 4,912,482 |
| Salary increase | +100bps | 233,828 | 3,870,234 | 4,929,573 |
| | -100bps | (187,074) | (3,091,196) | (3,852,227) |

The Group does not have a formal retirement plan and is therefore still unfunded. Shown below is the maturity profile of the undiscounted benefit payments:

| | **2019** | 2018 |
|---|---|---|
| Less than one year | **₱2,055,483** | ₱1,282,839 |
| More than one year to five years | **3,442,520** | 3,595,517 |
| More than five years to 10 years | **7,240,536** | 8,417,546 |
| More than 10 years to 15 years | **3,703,549** | 1,844,271 |
| More than 15 years to 20 years | **4,307,535** | 6,940,745 |
| More than 20 years | **10,600,258** | 11,576,117 |

## 24. Equity

Capital Stock

The details of the Parent Company's number of common shares and the movements thereon follow:

| | **2019** | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|
| | **Amount** | **Number of Shares** | Amount | Number of Share | Amount | Number of Shares |
| *Common stock* | | | | | | |
| Authorized ₱0.25 par value per share | **₱564,556,000** | **2,254,224,000** | ₱564,556,000 | 2,254,224,000 | ₱564,556,000 | 2,254,224,000 |
| Issued and outstanding shares: | | | | | | |
| Issued and fully paid | **₱497,620,222** | **1,990,480,889** | ₱453,870,222 | 1,815,480,889 | ₱453,870,222 | 1,815,480,889 |
| Subscribed shares | – | – | 18,845,000 | 175,000,000 | 18,845,000 | 175,000,000 |
| Treasury stock | – | – | (120,226,315) | (187,768,793) | (133,663,988) | (225,268,793) |
| | **₱497,620,222** | **1,990,480,889** | ₱352,488,907 | 1,802,712,096 | ₱339,051,234 | 1,765,212,096 |

Treasury stock pertains to Parent Company shares held by DSI. As of December 31, 2019, all treasury stock held by DSI has been re-issued and sold.

On May 5, 1997, the Parent Company launched its initial public offering where a total of 520.0 million common shares were offered at an offering price of ₱1.00 per share. The registration was approved on May 2, 1997. The Parent Company has 116 and 118 existing shareholders as of December 31, 2019 and 2018, respectively.

Subscription Receivable
Subscription receivable pertains to the unpaid portion of the 175.0 million shares subscribed at ₱0.30 per share amounting to ₱44.63 million. In 2017, the Group collected ₱1.60 million of the subscription receivable. In 2019, the Group collected ₱24.91 million of the subscription receivable. As at December 31, 2019 and 2018, subscription receivable amounted to nil and ₱24.91 million, respectively.

Additional Paid-in Capital (APIC)
Additional paid-in capital includes the equity component of the issued convertible loans amounting to ₱18.69 million as of December 31, 2019 and 2018. The liability component is reflected as financial liabilities.

Retained Earnings (Deficit)
For purposes of dividend declaration, the retained earnings shall be that of the legal parent presented in the separate financial statements. After considering the reconciling items, the Parent Company has no available retained earnings for dividend declaration as of December 31, 2019 and 2018.

The details of the Parent Company's retained earnings (deficit) are as follows:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Unappropriated retained earnings (deficit) | **(₱56,871,338)** | ₱91,506,585 | ₱237,419,977 |
| Declaration of dividends | – | (39,800,000) | – |
| Actuarial gain (loss) on defined benefit obligation, net of tax | **(175,092)** | 120,147 | (77,204) |
| | **(₱57,046,430)** | ₱51,826,732 | ₱237,342,773 |

The undistributed earnings from subsidiaries amounting to ₱595.78 million and ₱17.98 million as of December 31, 2019 and 2018, respectively, is not available for dividend distribution until actually declared by the subsidiaries.

*Declaration of Dividends*
On March 20, 2018, the BOD of PHA has approved property dividends consisting of 268.0 million shares of stock of PGDI with the new par value of ₱0.10 per share and a cash dividend of ₱0.001482 per share or a total of ₱2.95 million to be applied to the payment of any applicable withholding taxes on the property and cash dividends so declared. The fair value of property dividends amounted to ₱36.85 million. As at December 31, 2019, the SEC approval on the property and cash dividends is still pending.

On September 13, 2018, the BOD of PGDI approved the declaration of cash dividends amounting to ₱12.0 million, in which ₱2.40 million pertains to dividends declared to third parties. The dividends were later paid on September 17, 2018.

*Equity Reserves*
In December 2013, PHA obtained the BOD's approval to sell its 15% interest or 24.38 million shares in DSI for a consideration of ₱2.25 per share or ₱54.84 million. After the sale, PHA will retain 85% ownership with DSI. The transaction represents a change in ownership interest in a subsidiary that does not result in a loss of control. The Group recognized ₱8.95 million "Equity Reserve" arising from the excess of the consideration received over the proportionate share of non-controlling interest on the net assets value of DSI.

Additional 1.0 million shares were sold to non-controlling interests in January 2015 for a total consideration of ₱2.25 million or ₱2.25 per share, resulting to 15.62% non-controlling interest as of the end of January 2014.

In December 2014, the Parent Company acquired 25.38 million common shares of DSI from various individual investors for a total consideration of ₱92.46 million or ₱3.64 per share. The acquisition of shares represents the remaining 15.62% interest in DSI. As a result of the acquisition, the Parent Company now holds 100% interest in DSI. The Group recognized "Equity Reserve" from the acquisition amounting to ₱43.88 million in 2014 which is closed in the retained earnings under consolidated statements of changes in equity. The equity reserve is excluded for purposes of dividend declaration.

In February 2015, the Parent Company acquired 5.24 million shares equivalent or 13.1% non-controlling interest in PGDI for a total consideration of ₱5.24 million or ₱1.0 per share, increasing its ownership interest to 80.0%. The Group recognized "Equity Reserve" from the acquisition amounting to ₱3.78 million in 2015 which is closed in the retained earnings under consolidated statements of changes in equity. The equity reserve is excluded for purposes of dividend declaration.

On August 28, 2018, the BOD approved the conversion of the Parent Company's and third parties' advances to PGDI amounting to ₱432.5 million to equity, which resulted to an increase in capital stock of ₱341.7 million and additional paid-in capital of ₱90.8 million. The valuation of advances converted to equity was approved by the SEC on November 20, 2018. The conversion resulted in dilution of the Parent Company's ownership interest in PGDI from 80% to 69.2%. The Group recognized "Equity Reserve" from the conversion amounting to ₱14.0 million in 2018, which is closed in the retained earnings under consolidated statements of changes in equity. The equity reserve is excluded for purposes of dividend declaration.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains strong credit standing and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group considers its equity as capital. The Group is not subject to externally-imposed capital requirements. The Group's capital management, amongst other things, aims to also ensure that the Parent Company and its subsidiaries meets any financial covenants attached to its long-term loans that define capital structure requirements (see Note 18).

No changes were made in the Group's capital management objectives, policies or processes during the years ended December 31, 2019 and 2018.

Non-controlling Interest

Non-controlling interest consists of the following:

| Name of Subsidiary | Percentage of Ownership | | | Equity Attributable to Non-Controlling Interest | | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 |
| PGDI | **69.22%** | 69.22% | 80.00% | **₱206,726,957** | ₱204,556,467 | ₱27,049,979 |
| PHMIC | **68.44%** | 68.44% | – | **1,765,582** | 1,785,020 | – |
| PSMVI | **68.22%** | 68.22% | – | **1,917,008** | 1,936,587 | – |
| GLCI | **55.00%** | 55.00% | 55.00% | **97,137,278** | 237,766,080 | 313,986,999 |
| CUBES | **51.00%** | 51.00% | 51.00% | **25,920,760** | 56,730,089 | 69,293,869 |
| | | | | **₱333,467,585** | ₱502,774,243 | ₱410,330,847 |

Net income (loss) attributable to non-controlling interest follows:

| Name of Subsidiary | Percentage of Ownership 2019 | 2018 | 2017 | Net Income (Loss) Attributable to Non-Controlling Interest 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| PGDI | **69.22%** | 69.22% | 80.00% | **₱4,553,044** | ₱3,886,079 | ₱699,489 |
| PHMIC | **68.44%** | 98.90% | – | **(19,438)** | (714,979) | – |
| PSMVI | **68.22%** | 98.60% | – | **(19,579)** | (563,413) | – |
| GLCI | **55.00%** | 55.00% | 55.00% | **(140,628,802)** | (70,902,363) | 11,643,890 |
| CUBES | **51.00%** | 51.00% | 51.00% | **(30,809,329)** | (12,563,780) | (4,855,808) |
| | | | | **(₱166,924,104)** | (₱80,858,456) | ₱7,487,571 |

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before intercompany eliminations.

Summarized statement of income for 2019:

| | GLCI | PGDI | PHMIC | PSMVI | CUBES |
|---|---|---|---|---|---|
| Revenues | ₱79,101,295 | ₱341,660,557 | ₱– | ₱– | ₱– |
| Cost and expenses | (188,302,041) | (318,368,046) | (61,600) | (61,600) | (62,876,181) |
| Other income (charges) | (230,868,454) | (1,798,215) | – | – | – |
| Income (loss) before income tax | (340,069,200) | 21,494,296 | (61,600) | (61,600) | (62,876,181) |
| Provision for income tax | 27,560,751 | (6,702,081) | – | – | – |
| Net income (loss) | (₱312,508,449) | ₱14,792,215 | (₱61,600) | (₱61,600) | (₱62,876,181) |
| Attributable to non-controlling interest | (₱140,628,802) | ₱4,553,044 | (₱19,438) | (₱19,579) | (₱30,809,329) |

Summarized statement of income for 2018:

| | GLCI | PGDI | PHMIC | PSMVI | CUBES |
|---|---|---|---|---|---|
| Revenues | ₱182,711,039 | ₱294,933,829 | ₱– | ₱– | ₱– |
| Cost and expenses | (268,713,207) | (268,479,285) | (2,259,750) | (1,766,600) | (4,319,326) |
| Other income (charges) | (138,041,767) | (2,748,677) | (6,048) | (6,048) | (21,321,042) |
| Income (loss) before income tax | (224,043,935) | 23,705,867 | (2,265,798) | (1,772,648) | (25,640,368) |
| Provision for income tax | 66,483,128 | (11,080,530) | – | – | – |
| Net income (loss) | (₱157,560,807) | ₱12,625,337 | (₱2,265,798) | (₱1,772,648) | (₱25,640,368) |
| Attributable to non-controlling interest | (₱70,902,363) | ₱3,886,079 | (₱714,979) | (₱563,413) | (₱12,563,780) |

Summarized statement of income for 2017:

| | GLCI | PGDI | CUBES |
|---|---|---|---|
| Revenues | ₱479,475,389 | ₱247,142,428 | ₱1,648,726 |
| Cost and expenses | (399,639,209) | (233,409,787) | (11,741,123) |
| Other income (charges) | (41,125,191) | (8,004,309) | 182,585 |
| Income (loss) before income tax | 38,710,989 | 5,728,332 | (9,909,812) |
| Provision for income tax | (12,835,679) | (2,230,885) | – |
| Net income (loss) | ₱25,875,310 | ₱3,497,447 | (₱9,909,812) |
| Attributable to non-controlling interest | ₱11,643,890 | ₱699,489 | (₱4,855,808) |

Summarized statement of financial position as of December 31, 2019:

| | GLCI | PGDI | CUBES | PHMIC | PSMVI |
|---|---|---|---|---|---|
| Current assets | ₱1,420,431,390 | ₱62,287,673 | ₱4,964 | ₱– | ₱– |
| Noncurrent assets | 137,324,066 | 702,284,304 | – | 222,498,650 | 172,498,650 |
| Current liabilities | (263,026,128) | (69,737,515) | (52,375,981) | (2,367,298) | (1,867,298) |
| Noncurrent liabilities | (1,060,524,928) | (37,418,843) | (75,302) | – | – |
| Equity | ₱234,204,400 | ₱657,415,619 | (₱52,446,319) | ₱220,131,352 | ₱170,631,352 |
| Attributable to: | | | | | |
| Equity holders of the parent | ₱137,067,122 | ₱450,688,662 | (₱78,367,079) | ₱218,365,770 | ₱168,714,344 |
| Non-controlling interest | 97,137,278 | 206,726,957 | 25,920,760 | 1,765,582 | 1,917,008 |

Summarized balance sheet as of December 31, 2018:

| | GLCI | PGDI | CUBES | PHMIC | PSMVI |
|---|---|---|---|---|---|
| Current assets | ₱2,028,690,646 | ₱460,212,175 | ₱4,964 | ₱2,400,000 | ₱2,400,000 |
| Noncurrent assets | 88,409,384 | 242,112,505 | 62,700,000 | 220,098,650 | 170,098,650 |
| Current liabilities | (329,556,445) | (17,182,763) | (45,699,799) | (2,305,698) | (1,805,698) |
| Noncurrent liabilities | (1,241,959,295) | (33,127,981) | (6,575,302) | – | – |
| Equity | ₱545,584,290 | ₱652,013,936 | ₱10,429,863 | ₱220,192,952 | ₱170,692,952 |
| Attributable to: | | | | | |
| Equity holders of the parent | ₱307,818,210 | ₱447,457,469 | (₱46,300,226) | ₱218,407,932 | ₱168,756,365 |
| Non-controlling interest | 237,766,080 | 204,556,467 | 56,730,089 | 1,785,020 | 1,936,587 |

Summarized cash flow information for year ended December 31, 2019:

| | GLCI | PGDI | CUBES | PHMIC | PSMVI |
|---|---|---|---|---|---|
| Operating | ₱269,537,325 | ₱101,418,936 | (₱84,790) | ₱– | ₱– |
| Investing | (8,156,866) | (96,571,993) | – | – | – |
| Financing | (239,030,573) | (9,280,001) | 84,790 | – | – |
| Net increase (decrease) in cash | ₱22,349,886 | (₱4,433,058) | ₱– | ₱– | ₱– |

Summarized cash flow information for year ended December 31, 2018:

| | GLCI | PGDI | CUBES | PHMIC | PSMVI |
|---|---|---|---|---|---|
| Operating | ₱92,959,867 | ₱73,903,536 | (₱196,833) | (₱2,221,350) | (₱1,728,350) |
| Investing | (26,648,161) | (14,272,670) | – | – | – |
| Financing | (63,125,616) | (55,710,693) | 165,203 | 2,212,000 | 1,712,000 |
| Effect of exchange rate changes | 13,553 | – | – | – | – |
| Net increase (decrease) in cash | ₱3,199,643 | ₱3,920,173 | (₱31,630) | (₱9,350) | (₱16,350) |

Parent Company Shares held by a Subsidiary

On August 26, 2014, the BOD approved the buyback of shares of the Parent Company through its subsidiary, DSI. As of December 31, 2019, DSI has disposed all of its previously held shares of the Parent Company.

## 25. Cost of Services

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Depreciation (Note 11) | **₱97,277,092** | ₱56,109,556 | ₱57,522,090 |
| Personnel cost (Note 27) | **83,174,170** | 65,910,698 | 57,001,556 |
| Repairs and maintenance | **41,500,673** | 47,315,624 | 36,592,410 |
| Fuel and oil | **9,613,569** | 15,479,496 | 37,741,425 |
| Transportation and travel | **7,342,103** | 5,069,803 | 4,800,460 |
| Taxes and licenses | **5,835,624** | 5,060,960 | 5,767,134 |
| Professional and legal fees | **5,333,778** | 5,248,424 | 4,495,812 |
| Entertainment, amusement and recreation | **–** | 2,628,961 | 2,466,531 |
| Rentals and utilities | **–** | 196,884 | 3,833,612 |
| Others | **2,028,292** | 277,458 | 11,105,587 |
| | **₱252,105,301** | ₱203,297,864 | ₱221,326,617 |

## 26. General and Administrative Expenses

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Professional and legal fees | **₱57,395,392** | ₱43,436,909 | ₱20,659,557 |
| Personnel cost (Note 27) | **39,768,056** | 44,616,109 | 51,639,486 |
| Commissions | **18,998,256** | 27,269,112 | 27,243,712 |
| Depreciation and amortization (Notes 2, 10, 11 and 32) | **17,807,699** | 34,080,069 | 28,145,988 |
| Taxes and licenses | **14,840,595** | 12,216,959 | 10,981,779 |
| Filing and listing fees | **14,051,791** | 6,629,262 | – |
| Transportation and travel | **10,244,544** | 5,063,294 | 1,715,252 |
| Outside services | **9,178,447** | 3,246,138 | 2,102,599 |
| Entertainment, amusement and recreation | **9,049,237** | 2,704,124 | 596,147 |
| Rentals and utilities | **8,894,883** | 6,922,411 | 8,450,182 |
| Repairs and maintenance | **4,136,199** | 569,899 | 500,767 |
| Freight and handling | **1,566,224** | 1,542,075 | 1,690,479 |
| Supplies and materials | **1,192,925** | 1,614,336 | 2,057,497 |
| Advertising and promotions | **408,276** | 965,699 | 1,771,241 |
| Others | **1,359,099** | 20,981,640 | 21,695,901 |
| | **₱208,891,623** | ₱211,858,036 | ₱179,250,587 |

Others pertains to penalties, surcharges, bank charges, printing and stationery and other expenses which are not individually significant amounts.

## 27. Personnel Costs

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Cost of services: | | | |
| Salaries and wages | **₱64,100,237** | ₱50,014,875 | ₱39,527,934 |
| Pension expense (Note 23) | **1,947,881** | 1,683,380 | 1,462,850 |
| Other employee benefits | **17,126,052** | 14,212,443 | 16,010,772 |
| | **83,174,170** | 65,910,698 | 57,001,556 |
| General and administrative expenses: | | | |
| Salaries and wages | **31,983,906** | 36,214,891 | 44,102,462 |
| Pension expense (Note 23) | **1,221,869** | 1,358,131 | 3,206,081 |
| Other employee benefits | **6,562,281** | 7,043,087 | 4,330,943 |
| | **39,768,056** | 44,616,109 | 51,639,486 |
| | **₱122,942,226** | ₱110,526,807 | ₱108,641,042 |

## 28. Impairment Losses

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Advances to supplier (Note 15) | **₱35,867,759** | ₱15,064,761 | ₱– |
| Property and equipment (Note 11) | **22,595,049** | – | – |
| Input VAT (Notes 7 and 14) | **66,000** | 4,825,197 | 16,560 |
| Exclusive right to distribute (Note 10) | – | 105,345,829 | – |
| Receivables (Notes 5 and 14) | – | 29,956,083 | 6,000 |
| Goodwill (Note 10) | – | 2,607,116 | – |
| Software | – | 452,527 | – |
| Security deposits (Note 14) | – | 154,160 | – |
| | **₱58,528,808** | ₱158,405,673 | ₱22,560 |

## 29. Income Taxes

The provision for income tax shown in the consolidated statements of comprehensive income consists of:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Current | **₱9,764,236** | ₱16,636,525 | ₱5,257,160 |
| Final | – | – | 27,000,000 |
| Deferred | **214,717,825** | (71,331,391) | (94,142,944) |
| | **₱224,482,061** | (₱54,694,866) | (₱61,885,784) |

The reconciliation of income tax expense computed at the statutory income tax rate to the provision for income tax follows:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Income tax at statutory tax rate | **₱88,703,670** | (₱128,748,523) | (₱6,816,686) |
| Tax effects of: | | | |
| Movement of deferred taxes | **120,716,758** | 31,689,425 | 18,476,693 |
| NOLCO | **8,732,001** | – | – |
| Expired NOLCO | **5,076,656** | – | – |
| Nondeductible expenses | **3,353,650** | 4,299,294 | 2,748,566 |
| Interest expense – accretion (redemption) | **(2,067,503)** | 1,201,419 | 453,365 |

*(Forward)*

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Income subject to final tax | **(₱33,171)** | (₱37,186) | (₱91,376,795) |
| Impairment loss on exclusive right to distribute and goodwill | **–** | 36,900,705 | – |
| Capital gains tax | **–** | – | 27,000,000 |
| Taxable income | **–** | – | 2,643,263 |
| Difference in tax base and accounting base of land and land development | **–** | – | (15,014,190) |
| Provision for (benefit from) income tax | **₱224,482,061** | (₱54,694,866) | (₱61,885,784) |

Components of the Group's deferred tax assets follow:

| | 2019 | 2018 |
|---|---|---|
| Deferred tax asset recognized in profit or loss: | | |
| Difference in the tax base and accounting base of land and land development | **₱15,014,190** | ₱15,014,190 |
| Allowance for impairment losses on receivables | **7,104,481** | 6,985,004 |
| Pension liabilities | **5,671,518** | 5,029,374 |
| Excess of MCIT over RCIT | **2,837,179** | 198,460 |
| Provisions for administrative fines | **535,800** | – |
| Lease liability | **433,327** | – |
| Allowance for expected credit losses on receivables | **–** | 5,542,458 |
| | **₱31,596,495** | ₱32,769,486 |

Components of the Group's deferred tax liabilities follow:

| | 2019 | 2018 |
|---|---|---|
| Deferred tax liabilities recognized in profit or loss: | | |
| Unrealized gain on revaluation of investment property | **₱244,945,500** | ₱– |
| Increase in fair value due to purchase price allocation | **79,740,615** | 79,740,615 |
| Gross profit on real estate sales | **75,707,564** | 108,094,063 |
| Right-of-use asset | **405,122** | – |
| Commission – PFRS 15 | **141,624** | – |
| Unrealized gain on foreign exchange | **78,794** | 4,066 |
| | **401,019,219** | 187,838,744 |
| Deferred tax liabilities recognized in other comprehensive income: | | |
| Remeasurement actuarial gains on defined benefit obligation | **4,865,132** | 4,628,205 |
| | **₱405,884,351** | ₱192,466,949 |

Net deferred tax liabilities acquired in GLCI amounted to ₱141.00 million in 2015 (see Note 10).

In 2017, PHA and WPP entered into a contract to sell to transfer and convey PHA's investment property with a total area of 499.99 hectares, for a consideration of ₱450.00 million. Prior to the transfer, the investment property's carrying value amounted to ₱399.95 million, which is also the fair value as at December 31, 2016. As a result of the transfer, a deferred tax asset amounting to ₱15.01 million arising from the difference of the investment property's carrying amount and the cost of the transferred land in the books of WPP amounted to ₱50.05 million (see Note 13). Capital gains tax recognized by the Group amounted to ₱26.94 million in 2017, which is outstanding as of December 31, 2019 and 2018.

The Group has deductible temporary differences that are available for offset against future taxable income or income tax payable for which deferred tax assets have not been recognized. These deductible temporary differences are as follows:

| | **2019** | 2018 |
|---|---|---|
| NOLCO | **₱345,473,450** | ₱162,401,379 |
| Allowance for impairment losses | **245,358,667** | 267,386,771 |
| Pension liabilities | **21,644,917** | 8,464,456 |
| Excess MCIT over RCIT | **1,109,257** | 2,508,463 |

The carry forward benefits of NOLCO that can be claimed as a deduction from future taxable income is as follow:

| Year Incurred | Amount | Applied | Expired | Balance | Expiry Year |
|---|---|---|---|---|---|
| 2019 | ₱204,623,263 | ₱– | ₱– | ₱204,623,263 | 2022 |
| 2018 | 83,274,596 | – | – | 83,274,596 | 2021 |
| 2017 | 57,575,591 | – | – | 57,575,591 | 2020 |
| 2016 | 21,551,192 | (1,939) | (21,549,253) | – | 2019 |
| | ₱367,024,642 | ₱(1,939) | (₱21,549,253) | ₱345,473,450 | |

The excess MCIT over RCIT that can be carried forward and credited against tax payable follows:

| Year Incurred | Amount | Applied | Expired | Balance | Expiry Year |
|---|---|---|---|---|---|
| 2019 | ₱423,436 | ₱– | ₱– | ₱423,436 | 2022 |
| 2018 | 273,240 | – | – | 273,240 | 2021 |
| 2017 | 412,581 | – | – | 412,581 | 2020 |
| 2016 | 1,944,531 | (121,889) | (1,822,642) | – | 2019 |
| | ₱3,053,788 | (₱121,889) | (₱1,822,642) | ₱1,109,257 | |

NOLCO and MCIT presented in the above tables include the amount of NOLCO and MCIT of GLCI.

## 30. Interest Expense

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| Loans payable (Note 18) | **₱217,164,554** | ₱135,088,744 | ₱67,322,959 |
| Short-term loans (Note 17) | **60,032,838** | 19,393,174 | 4,878,757 |
| Convertible loans (Note 20) | **32,423,042** | 31,166,984 | 19,006,484 |
| Installment payable (Note 19) | **7,512,759** | 587,305 | 477,265 |
| Obligation under finance lease (Note 19) | **703,603** | 1,596,819 | 3,977,517 |
| Lease liability | **128,095** | – | – |
| | **₱317,964,891** | ₱187,833,026 | ₱95,662,982 |

## 31. Basic/Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company divided by the weighted average number of common shares outstanding during the year.

Basic earnings per share attributable to equity holders of the Parent Company

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Net income (loss) attributable to equity holders of the Parent Company | **₱238,120,942** | (₱293,608,419) | ₱31,675,928 |
| Weighted average number of outstanding common shares* | **1,880,980,593** | 1,735,512,885 | 1,762,992,918 |
| Basic earnings (loss) per share | **₱0.1266** | (₱0.1692) | ₱0.0180 |

** The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions and new subscriptions during the year*

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| No. of shares at the beginning of year | **1,990,480,889** | 1,990,480,889 | 1,990,480,889 |
| Weighted average number of Parent Company shares held by a subsidiary | **(109,500,296)** | (254,968,004) | (227,487,971) |
| Weighted average number of outstanding common shares | **1,880,980,593** | 1,735,512,885 | 1,762,992,918 |

Diluted earnings per share attributable to equity holders of the Parent Company

| | 2019 |
|---|---|
| Net income (loss) attributable to equity holders of the Parent Company | **₱238,120,942** |
| Interest expense attributable to convertible loans | **32,423,042** |
| | **₱270,543,984** |
| Weighted average number of outstanding common shares* | **1,880,980,593** |
| Dilutive shares attributable to convertible loans | **490,940,355** |
| | **2,371,920,948** |
| Diluted earnings per share | **₱0.1141** |

Diluted earnings per share is computed similar to the computation of the basic earnings (loss) per share except that the net income attributable to the equity holders of the parent and the weighted average number of shares outstanding should be adjusted for the effects of all dilutive potential ordinary shares. The effect of the conversion option of the convertible loans is dilutive in 2019 and anti-dilutive in 2018 and 2017. Thus, the basic and diluted earnings per share are the same both in 2018 and 2017.

## 32. Leases

The Group has a lease contract for office space used in its operations, which has a lease term of 4 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group applies the 'short-term lease' recognition exemption for these leases.

The rollforward analysis of right of use asset in 2019 follows:

| | |
|---|---|
| Cost | |
| At January 1, as previously reported | ₱– |
| Effect of adoption of PFRS 16 (Note 2) | 1,968,707 |
| At January 1 and December 31, as restated | 1,968,707 |
| Accumulated Depreciation | |
| At January 1, as previously reported | – |
| Effect of adoption of PFRS 16 | – |
| At January 1, as restated | – |
| *(forward)* | |
| Depreciation | 618,301 |
| At December 31 | 618,301 |
| Net Book Value | ₱1,350,406 |

The following are the amounts recognized in the consolidated statements of comprehensive income:

| | 2019 |
|---|---|
| Depreciation expense of right-of-use assets | ₱618,301 |
| Interest expense on lease liabilities | 128,095 |
| Expenses relating to short-term leases | 112,571 |
| Total amount recognized in statement of income | ₱858,967 |

The rollforward analysis of lease liabilities in 2019 follows:

| | |
|---|---|
| As at January 1, 2019, as previously reported | ₱– |
| Effect of adoption of PFRS 16 (see Note 2) | 1,968,707 |
| At January 1, 2019, as restated | 1,968,707 |
| Interest expense | 128,095 |
| Payments | (652,379) |
| As at December 31, 2019 | ₱1,444,423 |

As of December 31, 2019, the current and noncurrent portion of lease liabilities amounted to ₱0.86 million and ₱0.58 million, respectively.

## 33. Segment Information

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the business activity, with each segment representing strategic unit that offers different services and serves different markets. The Group has three reportable segments as follows:

- Mining segment pertains to the operations of PGDI Group for the hauling services it provides with mining companies and the exploration activities of its mining tenements.
- Real estate segment pertains to the operations of GLCI which develops and sells innovative master planned communities of low to mid rise residential and commercial condominiums including student dormitories.
- Service contract segment pertains to the beach operations of TCNBI and to the rental of mining equipment of PGDI.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors operating results for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income or loss and is measured consistently with income or loss in the consolidated financial statements. Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

The financial position of the business segments for the years ended December 31, 2019 and 2018 follow:

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **Mining** | **Real Estate** | **Service Contracts** | **Others** | **Eliminations** | **Total** |
| **ASSETS** | | | | | | |
| Cash | **₱20,497,410** | **₱50,958,677** | **₱10,000** | **₱10,096,342** | **₱–** | **₱81,562,429** |
| Contract assets | **–** | **673,428,567** | **–** | **–** | **–** | **673,428,567** |
| Receivables – net | **14,370,044** | **94,083,714** | **12,461** | **415,326,345** | **(439,219,563)** | **84,573,000** |
| Real estate held for sale | **–** | **641,989,891** | **–** | **376,755,475** | **6,812,093** | **1,025,557,459** |
| Investment property | **–** | **–** | **–** | **1,298,468,000** | **–** | **1,298,468,000** |
| Deferred exploration costs | **390,197,300** | **–** | **–** | **–** | **–** | **390,197,300** |
| Goodwill and intangible assets | **–** | **–** | **–** | **4,055,014** | **15,701,804** | **19,756,818** |
| Property and equipment – net | **294,934,443** | **4,693,036** | **722,023** | **10,362,450** | **–** | **310,711,952** |
| Right of use assets | **–** | **–** | **–** | **1,350,406** | **–** | **1,350,406** |
| Other assets | **42,570,125** | **92,601,572** | **–** | **16,883,372** | **–** | **152,055,069** |
| | **₱762,569,322** | **₱1,557,755,456** | **₱744,484** | **₱2,133,297,404** | **(₱416,705,666)** | **₱4,037,661,000** |
| **LIABILITIES** | | | | | | |
| Trade and other payables | **₱8,922,812** | **₱210,206,055** | **₱218,580** | **₱469,052,186** | **₱4,382,617** | **₱692,782,251** |
| Contract liabilities | **–** | **11,910,437** | **–** | **–** | **–** | **11,910,437** |
| Short-term loans | **–** | **–** | **–** | **259,200,000** | **–** | **259,200,000** |
| Purchase land payable | **–** | **13,335,073** | **–** | **485,025,000** | **(449,000,000)** | **49,360,073** |
| Loans payable | **–** | **992,103,643** | **–** | **–** | **–** | **992,103,643** |
| Obligations under finance lease | **–** | **–** | **–** | **2,360,827** | **–** | **2,360,827** |
| Convertible loans | **–** | **–** | **–** | **444,533,615** | **–** | **444,533,615** |
| Installment payable | **75,456,621** | **–** | **–** | **–** | **–** | **75,456,621** |
| Lease liability | **–** | **–** | **–** | **1,444,423** | **–** | **1,444,423** |
| Callable loans | **–** | **–** | **–** | **22,000,000** | **–** | **22,000,000** |
| | **₱84,379,433** | **₱1,227,555,209** | **₱218,580** | **₱1,683,616,051** | **(₱444,617,383)** | **₱2,551,151,890** |

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Mining | Real Estate | Service Contracts | Others | Eliminations | Total |
| ASSETS | | | | | | |
| Cash | ₱24,930,468 | ₱28,608,791 | ₱10,000 | ₱15,430,997 | ₱– | ₱68,980,256 |
| Contract assets | – | 1,139,885,821 | – | – | – | 1,139,885,821 |
| Receivables – net | 21,087,661 | 99,948,163 | 44,991 | 336,830,961 | (371,570,905) | 86,340,871 |
| Real estate held for sale | – | 1,598,392,203 | – | – | 8,051,939 | 1,606,444,142 |
| Deferred exploration costs | 390,197,300 | – | – | – | – | 390,197,300 |
| Goodwill and intangible assets | – | – | – | 4,505,571 | 15,701,804 | 20,207,375 |
| Property and equipment – net | 242,112,504 | 7,765,144 | 1,668,786 | 43,368,962 | – | 294,915,396 |
| Other noncurrent assets | 28,994,045 | 43,024,064 | – | 129,047,121 | (62,887,660) | 138,177,570 |
| | ₱707,321,978 | ₱2,917,624,186 | ₱1,723,777 | ₱529,183,612 | (₱410,694,822) | ₱3,745,158,731 |
| LIABILITIES | | | | | | |
| Trade and other payables | ₱22,009,676 | ₱301,647,460 | ₱3,853,993 | ₱844,876,484 | (₱365,828,961) | ₱806,558,652 |
| Contract liabilities | – | 29,693,374 | – | – | – | 29,693,374 |
| Short-term loans | – | – | 243,895,000 | – | – | 243,895,000 |
| Purchase land payable | – | 100,863,104 | – | 449,000,000 | (449,000,000) | 100,863,104 |
| Loans payable | – | 1,041,263,317 | – | – | – | 1,041,263,317 |
| Obligations under finance lease | – | – | – | 7,822,404 | – | 7,822,404 |
| Convertible loans | – | – | – | 465,425,292 | – | 465,425,292 |
| Installment payable | 13,554,836 | – | – | – | – | 13,554,836 |
| Callable loand | – | – | – | 15,000,000 | – | 15,000,000 |
| | ₱35,564,512 | ₱1,473,468,255 | ₱247,748,993 | ₱1,782,124,180 | (₱814,828,961) | ₱2,724,075,979 |

The following tables regarding business segments present the revenue and profit information for the years ended December 31, 2019, 2018 and 2017.

| | | | **2019** | | | |
|---|---|---|---|---|---|---|
| | **Mining** | **Real Estate** | **Service Contracts** | **Others** | **Eliminations** | **Total** |
| **Revenues** | | | | | | |
| External customer | **₱340,166,458** | **₱79,101,295** | **₱4,388,324** | **₱–** | **₱–** | **₱423,656,077** |
| Inter-segment | **–** | **–** | **–** | **20,676,932** | **(20,676,932)** | **–** |
| | **340,166,458** | **79,101,295** | **4,388,324** | **20,676,932** | **(20,676,932)** | **423,656,077** |
| **Cost and Expenses** | **(318,478,046)** | **(188,302,041)** | **(3,465,688)** | **(70,921,755)** | **20,676,932** | **(560,490,598)** |
| **Operating Income (Loss)** | **21,688,412** | **(109,200,746)** | **922,636** | **(50,244,823)** | **–** | **(136,834,521)** |
| Interest income | **57,694** | **6,215,443** | **–** | **16,592** | **–** | **6,289,729** |
| Interest expense | **(7,512,759)** | **(217,164,554)** | **–** | **(93,287,578)** | **–** | **(317,964,891)** |
| Impairment losses | **(13,200)** | **–** | **–** | **(58,515,608)** | **–** | **(58,528,808)** |
| Other income (expense) - net | **5,656,850** | **(19,919,343)** | **–** | **816,979,883** | **–** | **802,717,390** |
| Provision for income tax | **(6,702,081)** | **27,560,751** | **–** | **(245,340,731)** | **–** | **(224,482,061)** |
| **Net Income (Loss)** | **₱13,174,916** | **(₱312,508,449)** | **₱922,636** | **₱369,607,735** | **₱–** | **₱71,196,838** |

| | | | 2018 | | | |
|---|---|---|---|---|---|---|
| | Mining | Real Estate | Service Contracts | Others | Eliminations | Total |
| Revenues | | | | | | |
| External customer | ₱294,933,829 | ₱182,711,039 | ₱2,513,813 | ₱45,000 | ₱– | ₱480,203,681 |
| Inter-segment | – | – | – | 12,000,000 | (12,000,000) | – |
| | 294,933,829 | 182,711,039 | 2,513,813 | 12,045,000 | (12,000,000) | 480,203,681 |
| Cost and Expenses | (261,911,598) | (268,713,207) | (4,319,326) | (51,338,364) | (1,387,422) | (587,669,917) |
| Operating Income (Loss) | 33,022,231 | (86,002,168) | (1,805,513) | (39,293,364) | (13,387,422) | (107,466,236) |
| Interest income | 60,996 | 4,587,479 | – | 24,128 | – | 4,672,603 |
| Interest expense | (2,774,430) | (133,991,355) | (3,600) | (51,063,641) | – | (187,833,026) |
| Impairment losses | (10,547,189) | (18,322,392) | (21,317,443) | (80,206,779) | (28,011,870) | (158,405,673) |
| Other income (expense) - net | (94,188) | 9,684,500 | – | 10,280,278 | – | 19,870,590 |
| Provision for income tax | (11,080,530) | 66,483,128 | – | (707,732) | – | 54,694,866 |
| Net Income (Loss) | ₱8,586,890 | (₱157,560,808) | (₱23,126,556) | (₱160,967,110) | (₱41,399,292) | (₱374,466,876) |

| | | | 2017 | | | |
|---|---|---|---|---|---|---|
| | Mining | Real Estate | Service Contracts | Others | Eliminations | Total |
| Revenues | | | | | | |
| External customer | ₱247,142,428 | ₱479,475,389 | ₱1,648,727 | ₱387,213 | ₱– | ₱728,653,757 |
| Inter-segment | – | – | – | 13,191,853 | (13,191,853) | – |
| | 247,142,428 | 479,475,389 | 1,648,727 | 13,579,066 | (13,191,853) | 728,653,757 |
| Cost and Expenses | (233,409,787) | (399,639,209) | (11,735,123) | (42,988,276) | (1,857,546) | (689,629,941) |
| Operating Income (Loss) | ₱13,732,641 | ₱79,836,180 | (₱10,086,396) | (₱20,409,210) | (₱15,049,399) | ₱39,023,816 |
| Interest income | 38,190 | 50,717 | 9 | 37,705 | – | 126,621 |
| Interest expense | (7,912,758) | (67,082,959) | (185,644) | (20,469,133) | – | (95,650,494) |
| Impairment losses | – | – | – | (22,560) | – | (22,560) |
| Finance charges | – | – | (1,990) | (10,498) | – | (12,488) |
| Other income (expense) – net | (129,741) | 25,907,051 | 370,210 | 15,049,975 | (7,384,675) | 33,812,820 |
| Provision for income tax | (2,230,885) | (12,835,679) | – | 57,423,336 | 19,529,012 | 61,885,784 |
| Net Income (Loss) | ₱3,497,447 | ₱25,875,310 | (₱9,903,811) | ₱22,599,615 | (₱2,905,062) | ₱39,163,499 |

Intersegment revenues are eliminated upon consolidation and reflected in the “eliminations” column.

Disaggregated Revenue Information
The Group's disaggregation of each sources of revenue from contracts with customers in 2019 and 2018 are presented below:

| | 2019 | 2018 |
|---|---|---|
| **By type of goods or services** | | |
| Real estate | | |
| Residential dwellings | **₱150,632,959** | ₱213,917,271 |
| Lots | **9,920,674** | 7,396,670 |
| Less: | | |
| Cancellation of Lombard Hills | **(46,710,526)** | – |
| Other sales cancellation (lots) | **(34,741,812)** | (38,602,902) |
| Mining | | |
| Service contracts | **340,166,458** | 292,377,030 |
| Service income | **4,388,324** | 5,115,612 |
| **Total revenue from contracts with customers** | **₱423,656,077** | ₱480,203,681 |

Timing of Revenue Recognition
During 2019 and 2018, the Group has recognized total revenue from contracts with customers earned over time amounting to ₱4123.66 million and ₱480.20 million, respectively. The Group applied the practical expedient in recognizing revenue in the amount for which it has the right to invoice on its revenue from mining service contracts.

Contract balances
As of December 31, 2019, contract balances are as follows:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Current** | **Noncurrent** | **Total** | Current | Noncurrent | Total |
| Contract assets (Note 5) | **₱618,362,122** | **₱55,066,445** | **₱673,428,567** | ₱1,028,153,623 | ₱111,732,198 | ₱1,139,885,821 |
| Contract liabilities | **11,910,437** | **–** | **11,910,437** | 29,693,374 | – | 29,693,374 |

Contracts receivable from real estate sales are collectible in equal monthly principal installments in varying periods of up to 10 years. Interest rates per annum range from 8% to 11%. Titles to the residential units sold are transferred to customers upon full payment of the contract price. Contract assets represent the right to consideration for assets already delivered by the Group in excess of the amount recognized as contracts receivable. Contract assets is reclassified to contracts receivable when monthly amortization of customer is due for collection.

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the good and services transferred based on percentage of completion. The movement in contract liability arise mainly from revenue recognition of completed performance obligations.

In 2019 and 2018, revenue recognized from the contract liabilities at the beginning of the year amounted to ₱17.05 million and ₱9.97 million.

Performance obligations
The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of a real estate unit may cover either subdivided lots, or condominium unit. There is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the reservation agreement and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include downpayment based on a certain percentage of the contract price spread over a period at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing of up to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The performance obligation is satisfied upon delivery of the completed real estate unit. The Group provides one year warranty to repair minor defects on the delivered lot and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

## 34. Financial Risk Management Objectives and Policies

The Group's principal financial assets and financial liabilities comprise of loans payable and due to and from related parties. The main purpose of these financial assets and financial liabilities is to finance the Group's operations. The Group has other financial assets and financial liabilities such as trade and other receivables and trade and other payables which arise directly from its operations.

The carrying values of the Group's financial assets and financial liabilities per category are equal to the estimated fair values except for the following financial assets and financial liabilities:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets at Amortized Cost/Loans and receivables:** | | | | |
| Security deposits | – | – | 1,175,667 | 1,087,376 |
| **Loans and borrowings/Other financial liabilities:** | | | | |
| Loans payable | **992,103,643** | **943,401,696** | 1,043,652,475 | 858,300,641 |
| Convertible loans | **444,533,615** | **452,840,605** | 465,425,292 | 534,000,000 |
| Loans from shareholders and officers | **47,200,000** | **52,560,904** | – | – |
| Loans from third parties | **8,00,000** | **8,645,505** | – | – |
| Installment payable | **75,456,621** | **75,911,121** | 17,055,586 | 17,356,500 |
| Callable loans | **22,000,000** | **21,234,939** | 15,000,000 | 14,072,396 |

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

*Financial assets*
The carrying values of receivables approximate their fair values due to the short-term nature of their related transactions.

The fair values of noncurrent security deposits were based on the discounted value of future cash flows using the applicable interest rates for similar types of financial instruments. The discount rate used ranges from 2.14% to 7.97%.

*Financial liabilities*
The carrying amounts of trade and other payables approximate their fair values due to the short-term nature of the transactions.

Fair Value Hierarchy
The Group uses the following hierarchy for determining the fair value of financial assets and financial liabilities:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2019 and 2018, there were no transfers between levels in the fair value hierarchy. The Group has no financial instruments carried at fair value based on levels 2 and 3.

The main risks arising from the Group's financial assets and financial liabilities are liquidity risk, credit risk and market risk. Exposure to these risks arises in the normal course of business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The BOD reviews and approves actions for managing each of these risks which are summarized below:

a. *Liquidity risk*
Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they become due without incurring unacceptable losses or costs.

The major liquidity risk confronting the Group pertains to the daily calls on its available cash resources in respect of claims arising from trade and other payables and the maturity of loans payable. In this regard, the Group maintains a level of cash deemed sufficient to finance its operations.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities at December 31, 2019 and 2018 based on contractual undiscounted future payments. The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

| | 2019 | | | |
|---|---|---|---|---|
| | **<120 days** | **121-360 days** | **>360 days** | **Total** |
| ***Financial liabilities:*** | | | | |
| **Trade and other payables** | | | | |
| **Trade** | | | | |
| **Third parties**** | **₱251,982,699** | **₱–** | **₱–** | **₱251,982,699** |
| **Advances from related parties** | **113,538,840** | **–** | **62,280,220** | **175,819,060** |
| **Accrued expenses** | **71,050,955** | **–** | **–** | **71,050,955** |
| **Short-term loans*** | **218,273,916** | **24,267,416** | **93,197,583** | **335,738,915** |
| **Purchase land payable*** | **49,360,073** | **–** | **–** | **49,360,073** |
| **Loans payable*** | **771,961,954** | **46,229,857** | **305,339,394** | **1,123,531,205** |
| **Obligation under finance lease*** | **3,064,430** | **–** | **–** | **3,064,430** |
| **Convertible loan*** | **123,667,001** | **23,216,305** | **347,264,152** | **494,147,458** |
| **Installment Liability*** | **17,579,610** | **49,581,641** | **19,809,064** | **86,970,315** |
| **Lease liability*** | **717,023** | **96,071** | **1,029,323** | **1,842,417** |
| **Cash dividends payable** | **2,950,000** | **–** | **–** | **2,950,000** |
| **Callable loans*** | **593,185** | **1,196,148** | **23,524,000** | **25,313,333** |
| | **₱1,624,739,686** | **₱144,587,438** | **₱852,443,736** | **₱2,621,770,860** |
| ***Financial assets:*** | | | | |
| **Cash** | **₱81,562,429** | **₱–** | **₱–** | **₱81,562,429** |
| **Receivables** | | | | |
| **Contracts receivables** | **36,430,270** | **–** | **–** | **36,430,270** |
| **Trade** | **9,987,758** | **–** | **–** | **9,987,758** |
| **Others** | **950,509** | **–** | **–** | **950,509** |
| **Other Noncurrent assets** | | | | |
| **Receivable from PAGCOR** | **–** | **–** | **3,042,702** | **3,042,702** |
| **Security deposits** | **–** | **–** | **852,022** | **852,022** |
| | **₱128,930,966** | **₱–** | **₱3,894,724** | **₱132,825,690** |

**Includes future interest*
***Excludes statutory and other nonfinancial liabilities amounting to ₱149.71 million*

| | 2018 | | | |
|---|---|---|---|---|
| | <120 days | 121-360 days | >360 days | Total |
| *Financial liabilities:* | | | | |
| Trade and other payables | | | | |
| Trade | | | | |
| Third parties | ₱113,527,702 | ₱16,884,893 | ₱– | ₱130,412,595 |
| Advances from third parties | 343,722 | 160,538,609 | – | 160,882,331 |
| Accrued expenses | 24,185,570 | – | – | 24,185,570 |
| Short-term loans* | 147,445,000 | 76,450,000 | 20,000,000 | 243,895,000 |
| Convertible loan* | 365,425,292 | – | 115,000,000 | 480,425,292 |
| Obligation under finance lease | 1,261,307 | 2,522,612 | 4,038,485 | 7,822,404 |
| Loans payable* | 148,961,623 | 525,860,802 | 366,440,892 | 1,041,263,317 |
| | ₱801,150,216 | ₱782,256,916 | ₱505,479,377 | ₱2,088,886,509 |
| *Financial assets:* | | | | |
| Cash | ₱66,398,555 | ₱– | ₱– | ₱66,398,555 |
| Receivables | | | | |
| Contracts receivables | 61,945,279 | 1,028,153,623 | 111,732,198 | 1,201,831,100 |
| Trade | 14,436,081 | 2,956,352 | 1,388,982 | 18,781,415 |
| Others | 205,917 | – | – | 205,917 |
| Other noncurrent assets | | | | |
| Receivable from PAGCOR | – | – | 3,042,702 | 3,042,702 |
| Security deposits | 6,667 | 320,978 | 1,002,182 | 1,329,827 |
| | ₱142,992,499 | ₱1,031,430,953 | ₱117,166,064 | ₱1,291,589,516 |

**Including interest*

b. *Credit risk*
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit risks are primarily attributable to cash in banks, receivables and notes receivable, due from related parties and security deposits. The Group's receivables, notes receivable and due from related parties are monitored on an ongoing basis.

With respect to credit risk arising from cash in banks, receivables, due from related parties, and other noncurrent assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The tables below show the credit quality of the Group's financial assets:

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Neither past due nor impaired | | | | | |
| | **High Grade** | **Medium Grade** | **Total** | **Past due but not impaired** | **Impaired** | **Total** |
| **Cash in banks** | **₱78,831,776** | **₱–** | **₱78,831,776** | **₱–** | **₱–** | **₱78,831,776** |
| **Receivables** | | | | | | |
| **Contracts receivables** | **631,971,682** | **12,059,413** | **644,031,095** | **33,130,754** | **32,696,988** | **709,858,837** |
| **Trade** | **2,373,632** | **2,881,080** | **5,254,712** | **–** | **4,733,046** | **9,987,758** |
| **Others** | **950,509** | **–** | **950,509** | **–** | **–** | **950,509** |
| **Other noncurrent assets** | | | | | | |
| **Receivable from PAGCOR** | **–** | **–** | **–** | **3,042,702** | **–** | **3,042,702** |
| **Refundable deposit** | **–** | **–** | **–** | **–** | **89,500,000** | **89,500,000** |
| **Security deposits** | **–** | **852,022** | **852,022** | **–** | **154,160** | **1,006,182** |
| | **₱714,127,599** | **₱15,792,515** | **₱729,920,114** | **₱36,173,456** | **₱127,084,194** | **₱893,177,764** |

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Neither past due nor impaired | | | | | |
| | High Grade | Medium Grade | Total | Past due but not impaired | Impaired | Total |
| Cash in banks | ₱66,398,555 | ₱– | ₱66,398,555 | ₱– | ₱– | ₱66,398,555 |
| Receivables | | | | | | |
| Contracts receivables | 1,098,127,614 | – | 1,139,885,821 | 61,945,279 | 41,758,207 | 1,201,831,100 |
| Trade | 17,392,433 | – | 17,392,433 | – | 1,388,982 | 18,781,415 |
| Others | 205,917 | – | 205,918 | – | – | 205,917 |
| Other noncurrent assets | | | | | | |
| Receivable from PAGCOR | – | – | – | 3,042,702 | – | 3,042,702 |
| Refundable deposit | – | 89,500,000 | 89,500,000 | – | – | 89,500,000 |
| Security deposits | 1,175,667 | – | 1,175,667 | – | 154,160 | 1,329,827 |
| | ₱1,183,300,186 | ₱89,500,000 | ₱1,314,558,394 | ₱64,987,981 | ₱43,301,349 | ₱1,381,089,516 |

An aging of the Group's past due or individually impaired receivables as of December 31, 2019 and 2018 is as follows:

**As of December 31, 2019**

| | Past Due but not Impaired | | | Impaired Financial Assets | |
|---|---|---|---|---|---|
| | **<120 days** | **121-360 days** | **>360 days** | **Assets** | **Total** |
| **Receivables** | | | | | |
| **Contacts receivable** | **₱–** | **₱–** | **₱33,130,754** | **₱32,696,988** | **₱65,827,742** |
| **Trade** | – | | – | **4,733,046** | **4,733,046** |
| **Others** | – | – | – | – | – |
| **Receivable from PAGCOR** | – | – | **3,042,702** | – | **3,042,702** |
| | **₱–** | **₱–** | **₱36,173,456** | **₱37,430,034** | **₱73,603,490** |

As of December 31, 2018

| | Past Due but not Impaired | | | Impaired Financial Assets | |
|---|---|---|---|---|---|
| | <120 days | 121-360 days | >360 days | Assets | Total |
| Receivables | | | | | |
| Contacts receivable | ₱24,635,674 | ₱10,791,970 | ₱26,517,634 | ₱41,758,207 | ₱103,703,485 |
| Trade | 14,436,081 | 2,956,352 | – | 1,388,982 | 18,781,415 |
| Others | 205,917 | – | – | – | 205,917 |
| Receivable from PAGCOR | – | – | 3,042,702 | – | 3,042,702 |
| | ₱39,277,672 | ₱13,748,322 | ₱29,560,336 | ₱43,147,189 | ₱125,733,519 |

The Group has determined that the credit quality of all neither past nor impaired financial assets as of December 31, 2019 and 2018 are classified as high grade based on the following:

Cash - based on the financial and credit standing of the counterparty.

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment. All receivables are deemed high grade by the Group.

Security deposits - based on the credit standing/reputation of counterparty.

An impairment analysis is performed at each reporting date using the vintage analysis to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, receivables are written-off if the financial asset can no longer be recovered. The expected credit loss amounted to ₱32.70 million and ₱41.76 million as at December 31, 2019 and 2018, respectively.

c. *Market risk*
Market risk is the risk of loss to future earnings, fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, equity prices, foreign currency exchange rates and other market changes.

*Interest rate risk*
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments. The Group has interest bearing loans with floating interest rate subject to repricing amounting to ₱329.45 million as of December 31, 2019. If interest rates increase or decrease by 5.12% (all other variables held constant), income before income tax would have been ₱16.87 million lower or higher.

The Group's loans payable to local banks subject to local banks subject to floating rates are exposed to cash flow interest rate risk. The re-pricing of there instruments is done on intervals of three months.

The following table demonstrates the sensitivity of income before income tax at December 31, 2019 and 2018 due to a reasonably possible change in interest rates, with all other variables held constant.

| | Increase (Decrease) | Effect in Income before Income tax |
|---|---|---|
| **2019** | **5.12%** | **₱16,867,776** |
| | **-5.12%** | **(16,867,776)** |
| 2018 | 4.26% | 18,245,034 |
| | -4.26% | (18,245,023) |

## 35. Notes to Consolidated Statements of Cash Flows

The following table summarizes the changes in liabilities arising from financing activities in 2019 and 2018:

**2019**

| | January 1, 2019 | Adoption of PFRS 16 | Availments | Payments | Interest accretion | December 31, 2019 |
|---|---|---|---|---|---|---|
| Convertible loans | ₱465,425,292 | ₱– | ₱– | (₱14,000,000) | (₱6,891,677) | ₱444,533,615 |
| Callable loans | 15,000,000 | – | 7,000,000 | – | – | 22,000,000 |
| Short-term loans | 243,895,000 | – | 31,500,000 | (16,195,000) | – | 259,200,000 |
| Loans payable | 1,041,263,317 | – | – | (49,159,674) | – | 992,103,643 |
| Lease liability | – | 1,968,707 | – | (652,379) | 128,095 | 1,444,423 |
| Obligations under finance lease | 7,822,404 | – | – | (5,461,577) | – | 2,360,827, |
| Installment payable | 13,554,836 | – | 61,901,785 | – | – | 75,456,621 |
| | ₱1,786,960,849 | ₱1,968,707 | ₱100,401,785 | (₱85,468,630) | (₱6,763,582) | ₱1,797,099,129 |

2018

| | January 1, 2018 | Availments | Payments | Interest accretion | December 31, 2018 |
|---|---|---|---|---|---|
| Convertible loans | ₱522,920,562 | ₱– | (₱61,500,000) | ₱4,004,730 | ₱465,425,292 |
| Callable loans | – | 15,000,000 | – | – | 15,000,000 |
| Short-term loans | 209,100,000 | 92,320,000 | (57,525,000) | – | 243,895,000 |
| Loans payable | 974,456,791 | 356,423,676 | (289,617,150) | – | 1,041,263,317 |
| Obligations under finance lease | 34,746,203 | 930,450 | (27,854,249) | – | 7,822,404 |
| Installment payable | – | 17,356,500 | (3,801,664) | – | 13,554,836 |
| | ₱1,741,223,556 | ₱482,030,626 | (₱440,298,063) | ₱4,004,730 | ₱1,786,960,849 |

## 36. **Agreements**

Service Contracts

*Marcventures Mining and Development Corporation (MMDC)*

On March 8, 2011, the Group executed the contract with MMDC to haul and load beneficiated nickel ore stockpile located at Cabangahan, Cantilan, Surigao del Sur and its hauling to the Pier Yard in Bon-ot, Carrascal, Surigao del Sur.

In February 2015, the Group renewed its agreement with MMDC for an additional period of three (3) years effective January 1, 2015 to December 31, 2017. Under the scope of work, the Group shall excavate, load and haul more or less 500,000 wet metric tons (WMT) of ore per year at the area specified and designated by MMDC.

As of December 31, 2018, the Group has not renewed its mining services contract with MMDC due to MMDC's suspension of operations.

*Cagdianao Mining Corporation (CMC)*

In December 2014, the Group entered into a Saprolite Mining Contract with CMC for the hauling and extraction of mineral ores in Municipality of Cagdianao, Province of Dinagat Islands. The Contract shall be for a period of three years, from January 1, 2015 to December 31, 2017, which may be extended by written mutual agreement of the parties.

If the Group fails to deliver the required tonnage, CMC shall impose a penalty upon the Group computed based on the required WMT multiplied by $0.50 per WMT of materials not delivered.

In April 2018, the Group renewed its agreement with CMC effective April 1, 2018 to October 31, 2018. Under the scope of work indicated in the contract, the Group shall perform mining services which include loading and hauling, road and bench maintenance and barge loading services.

In May 2019, the Group has secured a 3-year contract with CMC covering the periods of 2019 until 2021, with the Group rendering services to CMC starting March 1 until October 31 of each year. The Group shall render mining services that include loading and hauling, road and bench maintenance, barge loading services and rental of heavy equipment.

*BenguetCorp Nickel Mines, Inc. (BNMI)*

In April 2015, the Group entered into a Mining Services Agreement with Arrow Freight Corporation (AFC) for the extraction of nickel ore and other mineral products from BNMI mine pit to designated dumping, stockyards and stockpile areas and the provision of other necessary equipment including manpower and consumables such as fuel and oil, as maybe specified by AFC from time to time in accordance with the need of the project. The agreement shall be valid for a period of three (3) years starting April 1, 2015 and ending December 31, 2017, which may be renewed upon mutual consents of the parties.

As of December 31, 2018, the Group has not renewed its mining services contract with BNMI due to BNMI's suspension of operations.

Mining related services recognized by the Group amounted to ₱341.17 million, ₱294.93 million, and ₱247.14 million in 2019, 2018 and 2017, respectively. This includes equipment rental amounting to ₱2.89 million, ₱2.56 million and ₱2.63 million in 2019, 2018 and 2017, respectively.

Operating Lease Commitments
On May 1, 2015, the Group entered into a lease contract with Rinarese, Inc. to lease the commercial space for the administrative office of the Group. The lease is for a period of two (2) years commencing on May 1, 2015 to April 30, 2017. In addition, the Group entered into a lease agreement with Accupak Philippines, Inc. to lease the premises for the warehouse of the Group located at Calamba, Laguna. The contract is for a period of five (5) years commencing on September 1, 2015 to August 30, 2020. In May 2016, the lease agreement with Accupak Philippines, Inc. was pre-terminated.

Rent expense charged in the consolidated statements of comprehensive income amounted to nil, nil, and ₱7.74 million in 2019, 2018 and 2017, respectively.

Joint Operation
In 2008, GLCI has entered into a Joint Venture Agreement (JVA) with certain landowners, for the development of certain lots. Pursuant to the JVA, the landowners shall contribute the title and their interest to the lots and the Group, in turn, shall provide the necessary cash and expertise to undertake and complete the implementation of the residential project development as development manager and as exclusive marketing agent of the project. The Group shall pay the landowners their share in net proceeds after deducting a marketing fee equivalent to 15.0% of the selling price.

Details of the sharing agreement follow:

| Project | Area (in sq.m.) | Location | Landowner's Share in Net Proceeds |
|---|---|---|---|
| Summerfields Subdivision | 47,360 | La Trinidad, Benguet | 15.00% |
| North Cambridge Subdivision | 10,892 | Baguio City | 10.00% |
| Courtyards Condominium | 18,517 | Lucban, Baguio City | 12.00% |

On December 20, 2018, the landowners and the Group entered into a Memorandum of Agreement (MOA) to revise the terms of the profit sharing arrangement in the MOA dated June 4, 2015. In this regard, the landowners and the Group agreed to cancel the sharing effective immediately subject to any further terms the parties may agree upon.

Letter Agreement
On December 24, 2019, PGDI entered into an agreement, which was further amended on January 22, 2020, with another entity that intends to put up or establish a cement plant with power plant, port and limestone quarry in Palawan.

The Group is currently under negotiation to finalize the sale of the MPSA companies, in relation to this Letter Agreement.

## 37. **Registration with Board of Investments**

CUBES
CUBES is registered with the BOI as a new operator of Thermo Chilling System under the heading Energy Efficiency Projects of the 2014 IPP on a Non-Pioneer Status under the provision of Executive Order (EO) No. 226, otherwise known as the *Omnibus Investments Code of 1987.*

Under CUBES' registration, it is entitled to certain tax and nontax incentives which include, among others, ITH for four (4) years from November 2015 or actual start of commercial operations, whichever is earlier but availment shall be in no case earlier than the date of registration.

The ITH incentives shall be limited only to the revenues generated from the new activity.

Under the terms of CUBES' registration, it is subject to certain requirements, principally that of following a specified sales volume and sales revenue schedule and securing prior permission from the BOI before performing certain acts.

Under CUBES' application with the BOI, it can avail of a bonus year in each of the following cases but the aggregate ITH availment (basic and bonus years) shall not exceed eight (8) years:

b. The ratio of the total imported and domestic capital equipment to the number of workers for the project does not exceed US$10,000 to one (1) worker;
c. The net foreign exchange savings or earnings amount to at least US$500,000 annually during the first three (3) years of operation; and
d. The indigenous raw materials used in the manufacture of the registered product must at least be fifty (50%) of the total cost of raw materials for the preceding years prior to the extension unless the BOI prescribes a higher percentage.

In May 2017, due to operational issues, CUBES' operations was discontinued and was put on hold. As of December 31, 2019, CUBES has not yet resumed its operations, and management is currently assessing its options whether to continue its operations or sell its equipment to prospective buyers.

## 38. Subsequent Events – Corona Virus Disease (COVID-19) Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020. This was further extended until May 15, 2020 for NCR and certain areas. Effective May 16, 2020, NCR and certain areas shifted to modified enhanced community quarantine until May 31, 2020. Effective June 1, 2020, NCR and certain areas shifted to general community quarantine until July 31, 2020, unless earlier lifted or subsequently extended. The COVID-19 and the measures taken have caused disruptions to businesses and economic activities, and its impact on business continue to evolve.

Due to restrictions in travel and other government initiatives, operations of the Group cannot return to normal until the community quarantine is lifted. Since the subsidiaries of the Group, such as WPP and GLCI, are not part of the allowed basic services, operations have been mostly halted. PGDI, whose operations is not included in the Luzon lockdown as it is based in Surigao, has started limited operations during the first week of March. PGDI is currently focused on stockpiling ores as the provincial government temporarily banned foreign ships from docking in the province for safety reasons. Internal fund generation through end-user financing and collection were heavily affected by the ECQ because of the halt in processing and closure of the different agencies that process the documents.

Although the COVID-19 pandemic and the resulting ECQ significantly impacted the operations of the Group, current strategic plans and mitigation measures being undertaken will be able to cushion the negative impact. These will allow unhampered operations once the ECQ is lifted, albeit on a slower schedule as compared to the pre-ECQ level. The Group managed to negotiate for payment deferrals and rollover/restructuring of certain existing loans. The Group is currently in the process of negotiating for further deferral of payments and restructuring for the other currently maturing obligations. New financing arrangements that were being explored prior to ECQ will be delayed until after ECQ and when the current economic situation normalize. Alternative financing solutions are also currently being explored. Management believes that the going concern basis used in the preparation of the financial statements as at and for the year ended December 31, 2019 is appropriate and no adjustments are necessary to be made in relation to the classification and recoverability of the carrying amount of assets or the classification and amount of liabilities.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

SGV
Building a better
working world

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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

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

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Premiere Horizon Alliance Corporation
Unit 1705, 17th Floor, East Tower
Philippine Stock Exchange Center
Exchange Road, Ortigas Center, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Premiere Horizon Alliance Corporation and its Subsidiaries (the Group) as at and for the years ended December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated July 17, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1758-A (Group A),
July 2, 2019, valid until July 1, 2022
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125310, January 7, 2020, Makati City

July 17, 2020

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

**INDEPENDENT AUDITOR'S REPORT ON**
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders
Premiere Horizon Alliance Corporation
Unit 1705, 17th Floor, East Tower
Philippine Stock Exchange Center
Exchange Road, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Premiere Horizon Alliance Corporation and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated July 17, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1758-A (Group A),
July 2, 2019, valid until July 1, 2022
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 8125310, January 7, 2020, Makati City

July 17, 2020

**PREMIERE HORIZON ALLIANCE CORPORATION**
**AND SUBSIDIARIES**

**Supplementary Schedules to the Financial Statements Required Under**
**Securities Regulation Code Rule 68, As Amended (2018)**
**For the year ended December 31, 2019**

**and**

**Independent Auditors' Report**

Philippine Peso

SEC Number **147584**
File Number ______________

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**

(Company's Full Name)

**Metro Manila, Philippines**

(Company's Address)

**(02) 632 - 7714**

(Telephone Number)

**December 31**

(Year Ending)
(month & day)

**Supplementary Schedules to the Financial Statements**

Form Type

______________

Amendment Designation (If applicable)

**December 31, 2019**

Period Ended Date

______________

(Secondary License Type and File Number)

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**
Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2019

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NA: NOT APPLICABLE

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**
**Schedule A - Financial Assets**
**December 31, 2019**

| Name of Issuing Entity and Description of Each Issue | Number of Shares or Principal Amount of Bonds and Notes | Amount Shown in the Balance Sheet/ Notes | Valued Based on Market Quotations at Balance Sheet Date | Income Received and Accrued (including Dividends Received) |
|---|---|---|---|---|
| *Loans and receivables* | | | | |
| Cash | ₱– | ₱81,562,429 | ₱– | ₱– |
| Receivables | – | | | |
| Contract receivables | – | 36,430,270 | – | – |
| Trade | – | 9,987,758 | | |
| Others | – | 950,509 | – | – |
| Other noncurrent assets | | | | |
| Receivable from PAGCOR | – | 3,042,702 | – | – |
| Security deposits | – | 852,022 | – | – |
| | ₱– | **₱132,825,690** | ₱– | ₱– |

See Note 4, 5 & 14 of the Consolidated Financial Statements.

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**
**Schedule B - Amounts Receivables from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)**
**December 31, 2019**

| Name of Debtor | Beginning Balance | Additions | Collections | Ending Balance | | |
|---|---|---|---|---|---|---|
| | | | | Current | Non-Current | Total |
| Advances to officers and Employees | ₱63,168,811 | ₱14,393,854 | (₱6,096,055) | ₱71,466,610 | ₱– | ₱71,466,610 |

See Note 5 of the Consolidated Financial Statements.

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**
**Schedule C - Amounts Receivable from Related Parties Which are Eliminated During the Consolidation of Financial Statements**
**December 31, 2019**

| Name and Designation of Debtor | Balance at Beginning of Period | Additions | Amounts Collected | Amounts Written Off | Balance at End of Period | | |
|---|---|---|---|---|---|---|---|
| | | | | | Current | Non-Current | Total |
| Premiere Horizon Alliance Corporation | ₱192,056,157 | ₱35,833,030 | ₱48,439,000 | – | ₱179,450,187 | – | ₱179,450,187 |
| Goshen Land Capital, Inc. | 15,357,096 | 41,214 | – | – | 15,398,310 | – | 15,398,310 |
| Premiere Georesources and Development, Inc. (PGDI) | 2,095,530 | 15,561,008 | 14,542,338 | – | 3,114,200 | – | 3,114,200 |
| West Palawan Premiere Development Corp (WPP) | 11,196,665 | 10,646,845 | 20,432 | – | 21,823,078 | – | 21,823,078 |
| Treasure Cove Nagtabon Beach, Inc. (TCNBI) | 3,750,787 | – | 523,204 | – | 3,227,583 | – | 3,227,583 |
| Concepts Unplugged Business Environment Solutions, Inc. (CUBES) | 624,624 | 84,789 | – | – | 709,413 | – | 709,413 |
| PH Big Bounty Entertainment, Inc. (PHBBEI) | 137,352 | – | 51,705 | – | 85,647 | – | 85,647 |
| PH Agriforest Corporation (PAC) | 923,433 | 6,321 | – | – | 929,754 | – | 929,754 |
| PH Business Services, Inc. (PHBSI) | 827,027 | 6,050 | – | – | 833,077 | – | 833,077 |
| PH Mining and Development Corporation (PHMDC) | 14,328,732 | 10,291 | – | – | 14,339,023 | – | 14,339,023 |
| *(forward)* | | | | | | | |
| Digiwave Solutions, Inc. (DSI) | 13,221,580 | – | 13,221,080 | – | 500 | – | 500 |
| | ₱254,518,983 | ₱62,189,548 | ₱76,797,759 | ₱– | ₱239,910,772 | ₱– | ₱239,910,772 |

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**
**Schedule D - Intangible Assets - Other Assets**
**December 31, 2019**

| Description | Beginning Balance | Additions at Cost | Deductions / Amortizations | | Other Charges– Additions (Deductions) | Ending Balance |
|---|---|---|---|---|---|---|
| | | | Charged to cost and Expenses | Charged to Other Accounts | | |
| Exclusive Distribution Rights | ₱- | – | - | ₱– | - | ₱- |
| Film Rights | 4,507,571 | – | 450,557 | – | - | 4,055,014 |
| Goodwill (including provisional goodwill) | 15,701,804 | – | - | – | – | 15,701,804 |
| Intangible Assets | ₱20,207,375 | – | ₱450,557 | ₱– | ₱- | ₱19,756,818 |

See Note 10 of the Consolidated Financial Statements.

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**
**Schedule E - Long-Term Debt**
**December 31, 2019**

| Name of Issuer and Type of Obligation | Amount Authorized By Indenture | Amount Shown as Current | Amount Shown as Long-term | Total |
|---|---|---|---|---|
| Loans Payable | | | | |
| Philippine Vereans Bank | ₱209,528,963 | ₱63,151,071 | ₱146,377,892 | ₱209,528,963 |
| Union Bank of the Philippines | 1,752,835 | 496,613 | 1,256,222 | 1,752,835 |
| Zambales Rural Bank Inc. | 13,768,137 | 4,674,365 | 9,093,773 | 13,768,137 |
| Union Bank of the Philippines | 21,630,461 | 13,297,128 | 8,333,333 | 21,630,461 |
| BPI Family Savings Bank | 4,385,532 | 27,195 | 4,358,337 | 4,385,532 |
| Security Bank Savings | 54,850,646 | 13,184,067 | 41,666,579 | 54,850,646 |
| Banco de Oro | 1,384,815 | 1,132,877 | 251,938 | 1,384,815 |
| Tanay Rural Bank | 8,048,939 | 4,940,334 | 3,108,605 | 8,048,939 |
| Other Financing Institutions | 558,453,792 | 28,276,813 | 530,176,979 | 558,453,792 |
| Loans and Advances | | | | |
| Andres Del Rosario | 25,700,000 | – | 25,700,000 | 25,700,000 |
| Manolo B. Tuason | 500,000 | – | 500,000 | 500,000 |
| Meletina G. Aquino | 6,000,000 | – | 6,000,000 | 6,000,000 |
| Raul Ma. F Anonas | 10,000,000 | – | 10,000,000 | 10,000,000 |
| Siso M. Lao | 5,000,000 | – | 5,000,000 | 5,000,000 |
| Kathryn Yu Cheng Sese | 8,000,000 | – | 8,000,000 | 8,000,000 |
| Installment Payable – QSJ Motors Philippines, Inc. | 75,456,621 | 58,401,035 | 17,055,586 | 75,456,621 |
| Callable Loans – KSK SMP Coop | 22,000,000 | – | 22,000,000 | 22,000,000 |
| Convertible Loans | | | | |
| SJ Roxas & Co. Inc | 50,000,000 | – | 49,199,466 | 49,199,466 |
| Myka Advisory and Consultancy Services Inc. | 10,000,000 | – | 9,839,893 | 9,839,893 |
| Tarcisio M. Medalla | 10,000,000 | – | 9,839,893 | 9,839,893 |
| Asian Alliance Investment Corp. | 60,000,0000 | 5,000,000 | 53,736,976 | 58,736,976 |
| Abigail B. Arcilla | 10,000,000 | – | 9,834,418 | 9,834,418 |

*(forward)*

| Name of Issuer and Type of Obligation | Amount Authorized By Indenture | Amount Shown as Current | Amount Shown as Long-term | Total |
|---|---|---|---|---|
| Raul Ma. F Anonas | 46,000,000 | – | 45,263,509 | 45,263,509 |
| PBB Trust and Investment Center | 55,000,000 | – | 53,723,138 | 53,723,138 |
| United Coconut Planters Life Assurance Corporation | 100,000,000 | – | 97,678,432 | 97,678,432 |
| Jaime I Cabangis | 3,000,000 | – | 2,917,890 | 2,917,890 |
| | ₱1,910,460,741 | ₱192,581,498 | ₱1,170,912,859 | ₱1,363,494,356 |

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**
**Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)**
**December 31, 2019**

| Name of Related Party | Balance at Beginning of Period | Balance at End of Period |
|---|---|---|

**NONE TO REPORT**

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**
**Schedule G - Guarantees of Securities and Other Issuers**
**December 31, 2019**

| Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed | Title of Issue of Each Class of Securities Guaranteed | Total Amount Guaranteed and Outstanding | Amount Owned by Person for which this Statement is Filed | Nature of Guarantee |
|---|---|---|---|---|

**NONE TO REPORT**

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**
**Schedule H - Capital Stock**
**December 31, 2019**

| Title of Issue | Number of Shares Authorized | Number of Shares Issued and Outstanding (Net of Treasury Shares) | Number of Shares Reserved for Options, Warrants, Conversions and Other Rights | Number of Shares Held by | | |
|---|---|---|---|---|---|---|
| | | | | Affiliates | Directors, Officers and Employees | Others |
| Common stock- ₱0.25 par value | | | | | | |
| Authorized | 2,254,224,000 | – | – | – | – | – |
| Issued | – | – | – | – | – | – |
| Subscribed | – | – | – | – | – | – |
| Treasury | – | 1,990,480,889 | – | – | – | – |
| Shares reserved for conversion | – | – | – | – | – | – |

See Note 24 of the Consolidated Financial Statements.

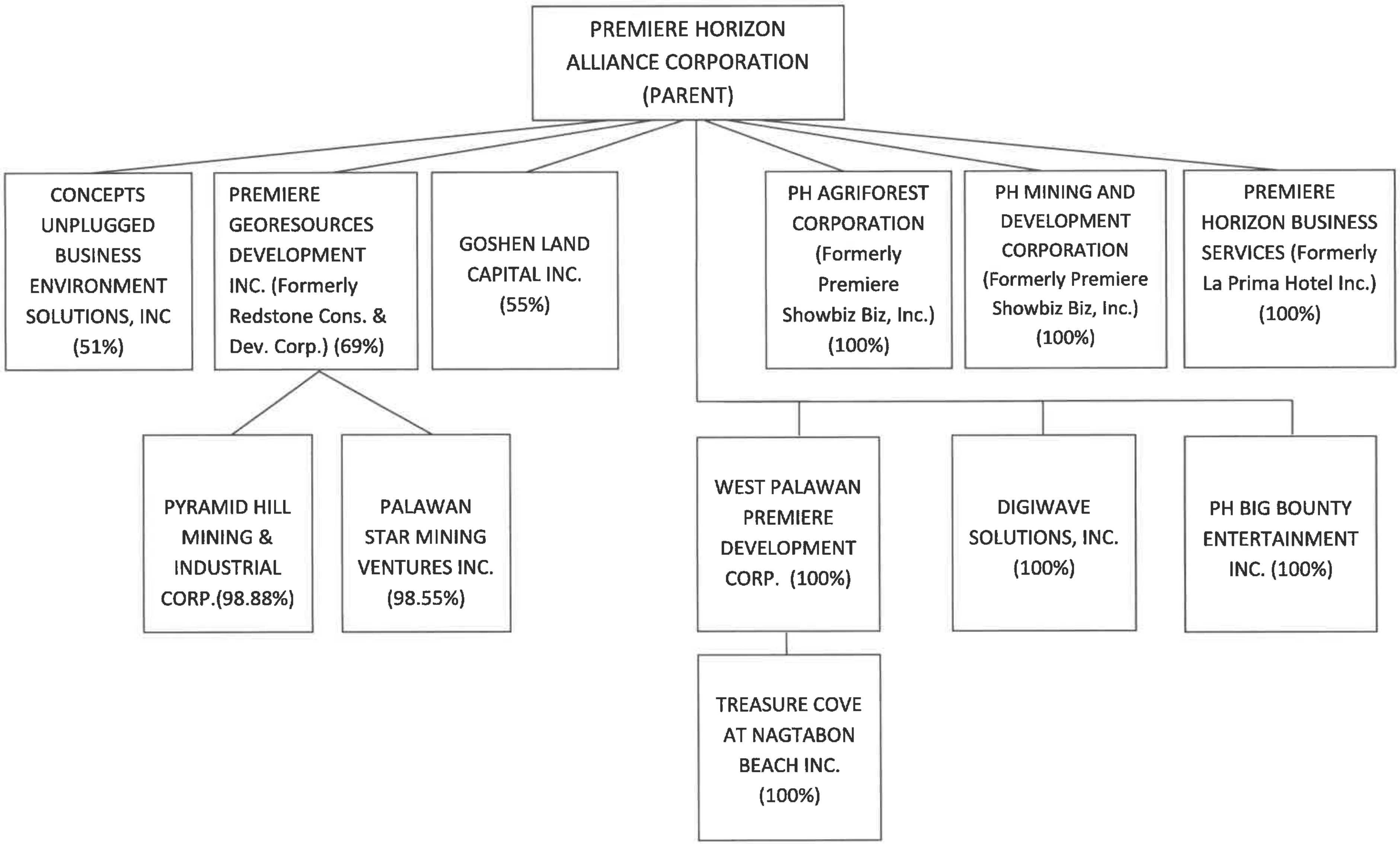
**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**
**Supplemental Schedule of Retained Earnings Available for Dividend Declaration**
**December 31, 2019**

| | |
|---|---|
| Unappropriated retained earnings, as adjusted, beginning | (140,689,788) |
| Add: Net income during the period closed to Retained Earnings | 71,196,838 |
| Less: Unrealized gain on revaluation of land, net of deferred tax | (571,539,500) |
| Net loss actually incurred during the period | (500,342,662) |
| Unappropriated Retained earnings, as adjusted, ending | **(641,032,450)** |

## PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
KEY FINANCIAL INDICATORS

| | Audited December 31, 2019 | December 31, 2018 | Change |
|---|---|---|---|
| **1. Current Ratio or Working Capital Ratio** | | | |
| Total Current Assets | 1,944,358,861 | 2,882,278,685 | |
| Total Current Liabilities | 1,884,933,871 | 1,917,066,838 | |
| | **1.03** | 1.50 | (0.47) |
| **2. Solvency Ratio** | | | |
| Total Assets | 4,069,257,495 | 3,777,928,217 | |
| Total Liabilities | 3,049,772,718 | 2,997,280,937 | |
| | **1.33** | 1.26 | 0.07 |
| **3. Debt-to-Equity Ratio** | | | |
| Total Liabilities | 3,049,772,718 | 2,997,280,937 | |
| Stockholder's Equity | 1,019,484,777 | 780,647,280 | |
| | **2.99** | 3.84 | (0.85) |
| **4. Debt Ratio** | | | |
| Total Liabilities | 3,049,772,718.00 | 2,997,280,937.00 | |
| Total Assets | 4,069,257,495.00 | 3,777,928,217.00 | |
| | **0.75** | 0.79 | (0.04) |
| **5. Return on Assets** | | | |
| Net Income | 71,196,838 | (374,466,876) | |
| Total Assets | 4,069,257,495 | 3,777,928,217 | |
| | **0.02** | (0.10) | 0.12 |
| **6. Asset-to-Equity Ratio** | | | |
| Total Assets | 4,069,257,495.00 | 3,777,928,217.00 | |
| Stockholder's Equity | 1,019,484,777.00 | 780,647,280.00 | |
| | **3.99** | 4.84 | (0.85) |
| **7. Times Interest Earned** | | | |
| Earning Before Interest and Taxes | 613,643,790.00 | (241,328,716.00) | |
| Interest | 317,964,891.00 | 187,833,026.00 | |
| | **1.93** | (1.28) | 3.21 |

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**
**Map of the relationship of the companies within the group**
**For the year ended December 31, 2019**



# COVER SHEET

| 1 | 4 | 7 | 5 | 8 | 4 | | | | |
|---|---|---|---|---|---|---|---|---|---|

SEC Registration Number

PREMIERE HORIZON ALLIANCE CORPORATION

(Company's Full Name)

UNIT 1705 17TH FLOOR, EAST TOWER PHILIPPINE STOCK EXCHANGE CENTRE, EXCHANGE ROAD ORTIGAS CENTER, PASIG CITY

| RAUL MA. F. ANONAS | Tel No. 8632-7715 |
|---|---|
| Contact Person | Company Telephone Number |

**SEC FORM 17-A**

| 1 2 | 3 1 | | 0 5 | |
|---|---|---|---|---|
| Month | Day | FORM TYPE | Month | Day |
| Fiscal Year | | | Annual Meeting | |

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2019**.

2. SEC Identification Number **147584**.

3. BIR Tax Identification Number **043-002-727-376**.

4. Exact Name of Registrant as specified in its charter.

   **PREMIERE HORIZON ALLIANCE CORPORATION**.

5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. __________ (SEC Use Only)
   Industry Classification Code

7. **Unit 1705, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City** — **1605**
   Address of Principal Office — Postal Code

8. **(02) 8632-7715**
   Registrant's Telephone Number, including Area Code

9. **N/A**
   Former Name, former Address, and Former Fiscal Year, if changed since last report

10. Securities Registered pursuant to Sections 8 and 12 of the SRC.

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| **Common** | **1,990,480,889 common shares** |

11. Are any of or all of these securities listed on the Philippine Stock Exchange.
    Yes [X] No [ ]

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

| | |
|---|---|
| Philippine Stock Exchange | Common shares |

12. Check whether the issuer:

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

    Yes [X] No [ ]

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

    Yes [ ] No [ X]

13. Aggregate market value of the voting stock held by non-affiliates:

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

    Yes [ ] No [ ] Not Applicable [X]

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:
    (a) Any annual report to security holders;
    (b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1 (b);
    (c) Any Prospectus filed pursuant to SRC Rule 8.1-1.

    Not Applicable

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# PART I – BUSINESS AND GENERAL INFORMATION

## Item 1. Description of Business

Premiere Horizon Alliance Corporation (formerly Premiere Entertainment Philippines, Inc.) (“PHA” or the “Company”) was incorporated on 13 January 1988 and was then known as Premiere Films International, Inc. On 20 June 1996 the Corporation’s name was amended to Premiere Entertainment Productions Inc.

On 5 May 1997, PHA was listed at the Philippine Stock Exchange (“PSE”) and thus, became the first public company engaged in the production of motion pictures. The Company envisioned a two-pronged thrust: a major presence in the local and international entertainment industry and an initial venture into gaming to round up its total entertainment offer.

On 16 May 2008, the Company’s shareholders and board of directors approved the change in the Company’s name to “Premiere Entertainment Philippines, Inc.”, increase in authorized capital stock, and the acquisition of Digiwave Solutions Inc. (“DSI”), a corporation engaged in the development of gaming software and the operation of internet casino stations.

On December 29, 2011, the company’s name was changed to Premiere Horizon Alliance Corporation and added the business of mining, real estate, information technology and other related business. The company also lowered the par value of its shares from P1.00 to P0.25, thus decreasing its authorized capital stock from Php 1,800,000,000.00 to Php 563,556,000.00.

In April 24, 2012, the Company obtained the approval of the Board of Directors to acquire 66.9% of Redstone Construction and Development Corporation (RCDC). RCDC is engaged in the business of providing hauling and other services for construction works for mining, real estate development, environmental protection & remediation, dam, dikes, flood control and reclamation including quarrying, hauling, earthmoving and heavy equipment. The acquisition is implemented through subscription of 25.8 million shares of RCDC’s outstanding capital stock at Php 1.50 per share.

On December 18, 2012, the Company obtained the approval of the Board of Directors to invest in 40% of the equity of First Ardent Development Corporation (FADC), a company engaged in real estate development. As of December 31, 2012, the Company owns 25.6 million shares for a total cost of Php 32.0 million.

On May 22, 2014 the Palawan property was transferred in the name of PHA.

**Year 2015**

On February 9, 2015, PHA completed the 51% acquisition of Concepts Unplugged Business Environment Solutions, Inc. (CUBES) amounting to Php 40.0 million.

In February 24, 2015, the PHA Board of Directors approved the increase of its ownership in RCDC from 66.9% to 80.0%. At the same time the Board approved the 2015 capital expenditure budget of RCDC amounting to Php 366.55 million for the acquisition of additional 44 trucks and 36 heavy equipment. These will be used for its new mining contract with Cagdianao Mining Corporation (CMC), Benguet Nickel Mining Corp. (BNMI) and

Marcventures Mining & Development Corp. (MMDC) to service the additional volume (WMT).

On May 11, 2015, the Securities and Exchange Commission (SEC) approved PHA's application for conversion of 133,511,111 at Php 0.36 per share or Php 48.064 million corresponding to PHA's convertible loan agreements issued on 2012.

In June 04, 2015, PHA bought 55% of Goshen Land Capital Inc. (GLCI) for Php 440.0 million, Php 140.0 million secondary and Php 300.0 million primary. GLCI is a premier real estate development company in Northern Luzon based in Baguio City. GLCI was incorporated in April, 2007 with an authorized capital stock of Php 250.0 million broken down into Php 100.0 million common shares and Php 150.0 million of preferred shares. An increase in authorized capital stock has already been filed with the SEC.

On June 24, 2015, PHA Board of Directors approved the issuance of Exchangeable Notes via private placement consisting of Php 350.0 million (Main Tranche for on going expansion plans and an Optional Tranche of Php 250.0 million to accelerate certain strategic development in the existing businesses as well as new acquisitions.

In July 29, 2015, the Board of Directors of PHA approved the stock rights offering with accompanying nil-paid detachable warrants. The proceeds will be used mainly for capital expenditures of CUBES and development expenses for the Palawan property. Each shareholder shall be entitled to one (1) right share for every ten (10) common shares held as of record date at offer price of Php 0.45 per share. The detachable warrants shall entitle the holder to subscribe to one (1) share at an exercise price of Php 1.20 per share exerciseable from January 1, 2018 to December 31, 2018. In addition to the stock rights offer, the Board also approved an additional 150 million warrants to be offered to existing investors in connection with the option to increase the offering of the Exchangeable Notes by Php 250.0 million or a top-up offering of up to same amount. It will have the same terms and conditions as the warrants issued from the stock rights offer.

On October 5, 2015, the placement of Php 400.0 million Exchangeable Notes was completed which included an oversubscription of Php 50.0 million on the Php 350.0 million Main Tranche. The excess of Php 50.0 million triggered the Optional Tranche and the proceeds will be used for the initial development initiative of its Palawan property.

In October 20, 2015, PHA announced the Stock Rights Offering tentatively scheduled for October has been moved to a later date pending approval by the SEC.

On December 11, 2015, the Board approved the increase in authorized capital stock from Php 564.556 million consisting of 2,254.224 million common shares with a par value of Php 0.25 per share to Php 750.00 million consisting of 3,000 million common shares at Php 0.25 per share to be implemented by way of stock rights offering previously approved.

In December 14, 2015, SEC approved the request for exemption from registration requirements of the 199,048,088 unclassified common shares with a par value of Php 0.25 per share to be issued out of the increase in authorized capital stock by way of a stock rights offering as previously approved.

**Year 2016**

In March 16, 2016, the Company sold its shareholdings in First Ardent Development Corporation (FADC) for Php 45.0 million.

On August 9, 2016 the Company established a 100% subsidiary West Palawan Premiere Development Corp. (WPPDC) to subsidiarize the land holdings PHA owned. WPPDC has an authorized capital stock of Php 700.0 million, subscribed capital of Php 175.0 million and a paid-up capital of Php 43.75 million. The primary purpose of WPPDC is a real estate development company initially focused on Puerto Princesa Palawan.

**Year 2017**

In January, 2017, WPPDC acquired an additional 5-hectare beachfront property in Nagtabon to complement its landmark beachfront development attraction. On August 3, 2018, in line with its planned development in Nagtabon, WPPDC has signed a Memorandum of Agreement with the Dusit Group for potential participation and partnership for the development of the tourism estate project.

**Year 2018**

In 2018, PHA entered into a Memorandum of Agreement (MOA) with the shareholders of Pyramid Hill Mining & Industrial Corp. (PHMIC) and Palawan Star Mining Ventures, Inc. (PSMVI) which gives the PHA the sole and exclusive right to acquire shares of up to 100% of the total issued and outstanding common shares of PHMIC and PSMVI. PHA subsequently assigned its rights to Premiere Georesources and Development Inc. (PGDI) formerly Redstone Construction and Development Corp., a majority-owned subsidiary.

On March 20, 2018, the BOD of the Parent Company has approved property dividend consisting of 268.0 million shares of stock with the new par value of Php 0.10 per share of the Parent Company's subsidiary, Premiere Georesources and Development Inc. (PGDI) and a cash dividend of Php 0.001482 per share or a total of Php 2.95 million to be applied to the payment of any applicable withholding taxes on the property and cash dividends so declared.

Furthermore, the BOD of the PHA also approved the grant of 268.0 million detachable nil-paid warrants that will entitle the warrant holder to acquire one PGDI share from the PHA for each warrant held. The warrants shall be applied for listing in the PSE. As at December 31, 2018, the SEC approval on the property and cash dividends is still pending.

Furthermore, the BOD of PGDI approved the amendment of the Parent Company's Articles of Incorporation. The amendment includes the following:

- a.) Change of name from Redstone Construction & Development Corporation to Premiere Georesources and Development, Inc.
- b.) Amendment of primary and secondary purposes;
- c.) Change in number of directors from five (5) to nine (9);
- d.) Additional provisions regarding pre-emptive rights and lock-up requirements; and
- e.) Increase in the authorized capital stock from Php 100.00 million divided into 100.00 million shares with par value of Php 1 per shares, to Php 650 million divided into 6.5 billion shares with par value of Php 0.10 per share.

Out of the Php 550.00 million increase in authorized capital stock, Php 137.5 million worth of shares were subscribed of which Php 55.0 million was fully paid through stock dividends and

Php 82.5 million was paid through conversion of advances to equity. The amendment was approved on September 13, 2018 by the SEC.

Furthermore, PGDI entered into a Deed of Assignment (DOA) with PHMIC and PSMVI wherein PGDI assigned advances to PHMIC and PSMVI amounting to Php 220.00 million and Php 170.00 million, respectively, for conversion to equity through application of advances as payment for PGDI subscription. The valuation of advances converted to equity was approved by the SEC on July 11, 2018.

On August 28, 2018, the BOD of the Parent Company approved the conversion of its advances to PGDI to equity shares allowing PGDI to own up to 100% of PHMIC and PSMVI. As of December 31, 2018, PGDI has acquired 98.88% of PHMIC and 98.55% of PSMVI through conversion of its advances to equity amounting to Php 220.0 million and Php 170.0 million, respectively. The valuation of advances converted to equity was approved by the SEC on November 20, 2018.

In connection with the planned listing by way of introduction of PGDI and the attendant SEC guidelines requiring a minimum public ownership of 20% for companies applying for listing, the Parent Company has completed the private placement of 523.0 million PGDI shares owned by the Parent Company, representing 9.6% of PGDI's 5,454.0 million outstanding shares. As at December 31, 2018, the transaction closing documents are still being completed.

**Year 2019**

In January 17, 2019, PHA entered into a Memorandum of Agreement with Sama Global Investments for a EUR 250 million investment with an interest rate of 1.25% p.a. to be paid by the year 2027. Beginning March 23, 2019 a series of remittance efforts begun. Follow-ups and communication letters were sent to Sama for the remittance of the funds as agreed upon in the MOA. By August 17, 2019, a final notice was sent by PHA to Sama with regard to their failure to deliver their obligation under the MOA. On August 26, 2019 an official notification was sent by Sama to PHA stating among others the renegotiation of the MOA Since then no communication has been received by PHA on the status of the MOA.

**PHA has the following subsidiaries and affiliates:**

a) Premiere Georesources and Development, Inc. (formerly Redstone Construction and Development Corporation (RCDC)) – its primary purpose is to engage in, conduct, mange, operate, and carry on business of construction works for mining, real estate development, environmental protection and remediation, dam, dikes, flood control, and reclamation and to engage in quarrying, hauling, earthmoving, and heavy equipment rentals and all other earthmoving works.

   PGDI owns 98.88% of Pyramid Hill Mining and Industrial Corp. (PHMIC) and 98.55% of Palawan Star Mining Ventures Inc. (PSMVI). Both mining companies are located south of Palawan province.

b) West Palawan Premiere Development Corp (WPPDC) – its primary purpose is to acquire by purchase, lease, donation, or otherwise and own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise real estate of all kinds, whether improve, mange or otherwise dispose of buildings, houses, equipment, and other structures of whatever kind, together with their maintenances.

c) Goshen Land Capital Inc. (GLCI) – GLCI is engaged in real estate development in Northern Luzon based in Baguio City. Incorporated in 2007, Goshen focused initially on residential subdivisions in prime locations all over the city. To further provide affordable yet quality homes for the ordinary Filipino, Goshen added master planned condominium communities in its home offerings. These maximized land use and better living for residents because Goshen's master-planned communities provide security, commercial convenience access and property management.

d) Concepts Unplugged Business Environment Solutions, Inc. (CUBES) - CUBES is engaged in the business of providing refrigeration to established cold storage facilities through a patented ThermoChiller system developed in the United States. The technology will be deployed as off-grid installations that will utilize alternative fuel sources, specifically biomass, thereby contributing to environmental sustainability by diminishing the dependence on fossil fuels and the electricity grid.

e) Digiwave Solutions Inc.- DSI (formerly Digigames Inc.-DSI) – primarily engaged in information technology which includes production, development, wholesale and distribution of computer software intended for gaming and production, importation, or exportation for sale on wholesale basis of computer parts, peripherals, other external devices, and communication devices.

f) PH Big Bounty Entertainment, Inc., Premiere Horizon Business Services, Inc. (Formerly La Prima Hotel Imperiale, Inc.), PH Agriforest Corporation, PH Mining and Development Corporation– the foregoing subsidiaries are still in their pre-operating stages.

g) Premiere e-Teleservices, Inc. (PeTI) – This subsidiary is in the process of liquidation.

The Group revenues in 2019 came from the activities of the subsidiaries Redstone Construction and Development Corporation, Goshen Land Capital, Inc. (GLCI), and West Palawan Premiere Development Corp. The Group revenue breakdown are follows:

| **Revenues** | **2019**<br>(In Php Millions) | **Percent %** |
|---|---|---|
| Sale of Real Estate | 340.17 | 80.29% |
| Hauling and Mineral Extraction | 79.10 | 18.67% |
| Service Income | 4.39 | 1.04% |
| Total Revenues | **423.66** | 100% |

***Competitive Situation in 2019***

PHA continued to pursue its vision and mission of invigorating the countryside in 2019 by strategically focusing on tourism and infrastructure.

West Palawan Premiere Development Corp. (WPPDC) completed the final planning stages for the integrated township development that will bring together serene countryside and beachfront resorts and residential projects. It is finalizing a comprehensive beachfront development plan for the five (5) hectare beachfront property in Nagtabon, Puerto Princesa.

In 2019, PGDI secured a three-year contract with Cagdianao Mining Corp. (CMC) to undertake extraction and hauling services. PGDI also acquired additional heavy equipment to further ensure capacity to attain contracted volumes. In 2019, PGDI exceeded target volumes and further validated its status as a preferred mining contractor.

Goshen Land Capital Inc. (GLCI) completed its last ongoing vertical projects in 2019 with a total of 301 residential and commercial units in the City of Baguio. Both projects were fully sold as these are located in Baguio's prime area near Burnham Park and Session Road.

PHA continues to look for new projects along the lines of renewables and infrastructure that is in line with the government's Build Build Build program.

***Risk Factors***

The price of securities can and does fluctuate and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses rather than profit may be incurred as a result of buying and selling securities. Past performance is not a guide to future performance. There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying and selling price of these securities. An investor deals in a range of investments each of which may carry a different level of risk.

Prior to making an investment decision, interested stockholders may carefully consider, along with other matters set out in this report, the following investment considerations or risk factors listed in order of importance, and which are not intended to be exclusive.

The risks of the Company's businesses are the following:

***Hauling and Mining***

The prospects of the hauling and mining business of PGDI remain very profitable. The weather in Surigao continues to be the primary concern of PGDI operation in CMC. PGDI was able to start its operations in Surigao in latter part of March 2019. Although there is a big decrease in Nickel prices in the world market, this does not directly affect PGDI because it is a service firm and gets paid for the hauling services at the agreed upon contracted rate with CMC. Furthermore, PGDI is insulated from fluctuations in fuel prices since, per agreement, fuel costs are covered by CMC.

***Real Estate***

In the past two years, all ongoing vertical projects of Goshen Land were completed by end 2019. These are 9 buildings from 5 different projects. Total residential and commercial units total 719 units and are 95% sold. The ability to match the funding requirements to complete the projects is crucial as well as the ability of the contractors to deliver the stage of completion of each project based on projected completion targets. A mismatch in this important factor can lead to delays and possible project cancellation.

***Tourism***

The Tourism subsidiary was the most hit with the recent Covid pandemic with a direct impact of delaying the construction of the Dhawa Hotel (a brand of the Banyan Tree group) in Nagtabon Beach to 2021. Plus, looking for partnerships for the bigger property has slowed down as the quarantine restrictions have made it difficult for potential investors and partners to come and visit the property. However, market values have continued to increase with the recent appraisals made have brought the market value of the property to about Php1.29 billion.

***Cold Storage/ThermoChiller***

The technology significantly reduces operating costs arising from high electricity bills and recurring equipment repair expenses. This modular system is scalable, easily replicable and has been deployed in numerous sites in the US for the past 15 years.

The technology will be deployed as off-grid installations that will utilize alternative fuel sources, specifically biomass, thereby contributing to environmental sustainability by diminishing the dependence on fossil fuels and the electricity grid. Inherent risk for this business is if electricity cost suddenly dives down. But with the current electricity supply in the country, this is still a far-fetched possibility.

***Inherent Business Risk***

The Company's revenue from the hauling business is dependent on its client's ability to continuously maintain substantial stockpile for shipment to their buyers. This is largely dependent on the weather conditions on the site.

On the real estate business, the ability to sell and deliver the units to its buyers is a big factor in generating its revenues. The company's objective is to complete its existing 17 projects and look at the expansion to new projects in 2017.

The thermo chiller/cold storage business revenue is subject to fluctuation in the cost of electricity since the revenue is based on the savings the client generates in relation to is cost of electricity on a monthly basis. But in addition to the electricity savings, the client will also save in monthly maintenance cost as well as in the MCR equipment maintenance and replacement.

***Political and Economic Conditions***

In general, the profitability of the Company depends on a large extent on the overall level of business and economic activity in the country, which in turn, is affected by political and economic factors. Any political or economic instability in the future may have a negative effect on the industries served by the Company.

***Taxation***

Laws may be enacted increasing existing tax rates or creating new taxes that would affect the Company. On the other hand, laws may also be enacted decreasing existing tax rates or rendering certain taxes inapplicable to the Company.

### *Foreign Currency Fluctuation*

Future changes in the value of the peso against the US dollar or other currencies will affect the foreign currency equivalent of the value of the shares of the Company and any dividends. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in pesos by the Company on, and the peso proceeds received from any sales of, the shares.

Any potential restrictions which may be imposed by the Bangko Sentral ng Pilipinas ("BSP"), with the approval of the President of the Philippines, on the availability of foreign exchange may unduly affect the trading of the Company's shares and any dividend distribution. As a result, although foreign investors will be able to sell their shares on the PSE, the repatriation of proceeds of sale or dividends, if coursed through the Philippine banking system, cannot be effected until registration with the BSP has been implemented. The Company is not responsible for the registration with the BSP or custodian banks of such non-residents' subscriptions or purchases of Shares.

### *Development in other emerging market countries may adversely affect the Philippine economy and the market price of the Shares*

In the past, the Philippine economy and the securities of companies in the country, in different degrees, have been influenced by the economic and other relevant events in other emerging markets, particularly countries in Southeast Asia. Although economic conditions vary from country to country, the reactions of investors to adverse global developments may have a negative impact on the market price of securities in other countries, including stocks listed in the Philippine Stock Exchange ("PSE").

Most of the Company's shareholders are Filipinos and to the best of the Company's knowledge, no foreign institutional funds have invested in its shares. Thus, the Company's share price is not expected to be sensitive to capital flight by foreign institutional investors in case of an economic crisis abroad.

### *Indirect Foreign Ownership Limitations*

The percentage of foreign-owned voting stocks in a corporation is determined by the citizenship of its stockholders. The citizenship of corporation that is a stockholder in a corporation follows the citizenship of the controlling stockholders of the corporation irrespective of its place of incorporation. Under the present rulings of the SEC, shares belonging to corporations or partnerships at least sixty percent (60%) of the capital of which is owned by Filipino citizens shall be considered as a Philippine nationality, but if the percentage of Filipino ownership in the corporation or partnership is less than sixty percent (60%), only the number of shares corresponding to such percentage shall be counted as Philippine nationality.

Accordingly, the Company cannot allow the issuance or the transfer of shares, and cannot record any issuance or transfers in the books of the Company, if such issuance or transfer would result in the Company breaching applicable foreign ownership restrictions. It must be noted, however, that the Company is currently not subject to any foreign ownership restrictions.

With all these inherent and business risks, the Company maintains a strong internal control environment, to mitigate, if not eliminate, some of the risks. It is the end goal of the management to minimize these risks and achieve operating profitability.

***Transactions with and/or dependence on related parties***

Other significant transactions with related parties are as follows:

1.) The Parent Company has extended loans and advances to its subsidiaries. The loans and advances are due and payable on demand.

2.) In December 2016, the Parent Company acquired certain parcels of land amounting to PHP 15.71 million which were subsequently sold to WPP for a total consideration amounting to PHP 103.02 million resulting in a gain amounting to Php 87.31 million.

3.) In 2018, 2017, and 2016, the Company earned service and management fees amounting to Php 13.66 million, Php 13.19 million, and Php 8.10 million, respectively, for the services rendered to RCDC and GLCI.

4.) In December 2017, the Parent Company sold its investment property located in Bacungan, Puerto Princesa, Palawan to WPP for a total consideration of Php 450 million.

***Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements***

The Company has copyrighted sixty-five (65) of its titles with the National Library. The Certificate of Copyright Registration shall remain in force for fifty (50) years from publication, and if unpublished, from the date of making of the work. The Company receives royalties from the exhibition of its films.

The Company has no registered patent or trademark.

***Development activities and Future Prospects***

*"Invigorating the Countryside"*

Premiere Horizon Alliance Corporation is an investment holding company that maximizes corporate value by seeking to focus on projects that invigorate countryside development in preparation for the ASEAN Economic Community (AEC) integration beginning 2015.

The Philippines, being composed of more than 7,000 islands, presents major obstacles to the development of the country as a whole. The countryside is left behind with much inefficiencies and gaps.

*"Where there are gaps, there are opportunities."*

Addressing these unfilled requirements through profitable, recurring, replicable and scalable businesses will not only help the locals in a sustainable way, but will also facilitate in the development of the nation as a whole while driving up PHA shareholder value.

On the tourism and infrastructure side, WPPDC shall embark on the development of its beachfront property and tourism estate while on the infrastructure side, it shall invest in 85% of two MPSA companies covering 10,384 hectares of commercial quantity limestone for cement production. On the hauling and extraction business, RCDC will continue to excel and provide high quality service.

***Employees***

As of December 31, 2019, PHA has 9 employees while PGDI has 107 regular employees. PGDI employs 374 contractual or project personnel during the mining season.

## Item 2. Description of Property

PHA purchased its present office headquarters at Unit 1705 East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City on August 14, 2014.

The Company has accumulated a total of four hundred thirty-eight (438) titles in its Film Library since December 31, 2003, with a total production and acquisition cost of Php235.8 million.

On May 22, 2014, PHA completed the transfer of the foreclosed 500 hectare property in Brgy. Bacungan, Puerto Princesa, Palawan in its name. PHA sold the land to its 100% subsidiary West Palawan Premiere Development Corp. (WPPDC) and is currently valued at about Php 1.2 billion. The land in Palawan are carried at fair value. The Company through its subsidiary WPPDC has acquired a 5-hectare beachfront property in Nagtabon Puerto Princesa.

As of December 2019, the hauling and mineral extraction operation of PGDI has 57 heavy equipment,104 dump trucks and 49 service vehicles.

## Item 3. Legal Proceedings

Digiwave Solutions Inc. is currently involved in a case pending before the courts as follows: "That Digiwave Solutions Inc. is the defendant in a civil case for damages filed by E-MPA Fires docketed as E-MPA Fires vs. DSI, Q-10-68354, QC RTC 88. The defense is scheduled to present its next witness, Atty. Stephen E. Cascolan, on the next hearing date".

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

No matter was submitted during the fourth quarter of the fiscal year covered by this Report to a vote of security holders, through the solicitation of proxies or otherwise.

# PART II – OPERATION AND FINANCIAL INFORMATION

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

### (1) Market Information

The common shares of the Company are traded on the Philippine Stock Exchange ("PSE") under the symbol "PHA". The Company's price information as of December 27, 2019 is Php 0.34.

The following table indicates the quarterly high and low sale price of the Company's common shares as reported on the PSE for the years 2017– 2020 (2nd Qtr) .

| | HIGH | | | | LOW | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2020 | 2019 | 2018 | 2017 |
| 1ST Quarter | 0.2030 | 1.06 | 0.46 | 0.44 | 0.1950 | 1.000 | 0.435 | 0.43 |
| 2nd Quarter | 0.2050 | 0.85 | 0.36 | 0.40 | 0.1990 | 0.820 | 0.325 | 0.39 |
| 3rd Quarter | | 0.56 | 0.395 | 0.39 | | 0.510 | 0.375 | 0.39 |
| 4th Quarter | | 0.355 | 0.33 | 0.36 | | 0.335 | 0.320 | 0.35 |

**(2) Holders**

As of 31 December 2019, there were 116 shareholders of record of PHA's common shares and listed below are the top twenty (20) common shareholders, including their nationalities, number of shares held, and the approximate percentages of their respective shareholdings to PHA's total outstanding common stocks:

| SHAREHOLDERS' NAME | NATIONALITY | HOLDINGS | RANK |
|---|---|---|---|
| PCD Nominee Corporation | Filipino | 1,630,920,876 | 81.94% |
| PCD Nominee Corporation (non-Filipino) | Foreign | 141,631,303 | 7.12% |
| AUGUSTO C. SERAFICA, JR | Filipino | 70,000,001 | 3.52% |
| SISO M. LAO | Filipino | 55,000,000 | 2.76% |
| TEOFILO HENSON | Filipino | 50,000,000 | 2.51% |
| S CAPITAL CORP. | Filipino | 36,000,000 | 1.81% |
| ANTONIO ONG | Filipino | 1,500,000 | 0.08% |
| RENATO Y. CHUA | Filipino | 1,050,000 | 0.05% |
| RAUL A. ALON | Filipino | 500,000 | 0.03% |
| LILY ROSE DE LEON | Filipino | 475,000 | 0.02% |
| SHIRLEY Y. SEE | Filipino | 300,000 | 0.02% |
| PHILIP Z. DABAO | Filipino | 200,000 | 0.01% |
| LEONCIO TAN TIU | Filipino | 200,000 | 0.01% |
| LOLITA S. PAMA | Filipino | 150,000 | 0.01% |
| ARTEMIO TUANO ENGRACIA | Filipino | 125,000 | 0.01% |
| TEE LING KIAT &/OR LEE LIN HO | Filipino | 115,000 | 0.01% |
| TEODORA G. YU | Filipino | 100,000 | 0.01% |
| VIRGINIA D. SEANGIO | Filipino | 100,000 | 0.01% |
| DAVID L. KHO | Filipino | 100,000 | 0.01% |
| ELEANOR C. SANTOS | Filipino | 100,000 | 0.01% |
| | | | |
| TOTAL TOP 20 SHAREHOLDERS | | 1,988,567,180 | 99.90% |
| TOTAL OUTSTANDING SHARES | | 1,990,480,889 | |

## (3) Dividends

On March 20, 2018, the BOD has approved property dividend consisting of 268.0 million shares of stock with the new par value of Php 0.10 per share of the Parent Company's subsidiary, Premiere Georesources and Development Inc. (PGDI) and a cash dividend of Php 0.001482 per share or a total of Php 2.95 million to be applied to the payment of any applicable withholding taxes on the property and cash dividends so declared.

Under the By-Laws of the Company, dividends shall be declared only from surplus profits and shall be payable at such time and in such amounts as the Board of Directors shall determine as they deem proper; Provided, however, that no stock dividends shall be issued without the approval of the stockholders representing not less than two-thirds (2/3) of all stock then outstanding and entitled to vote at a general meeting of the Company or at a special meeting called for the purpose. No dividends shall be declared that impair the capital of the Company. Other than the aforesaid, there are no other restrictions that would limit or would likely to limit in the future the ability of the company to pay dividends on common equity.

## (4) Recent Sales of Unregistered or Exempt Securities, Including recent Issuance of Securities Constituting an Exempt Transaction

I. Conversion of Notes

On May 11, 2015, the SEC approved the application of PHA for the issuance of 133,511,111 common shares with a value of Php 0.36 per share by way of conversion of loans amounting to Php 48.064 million as exempt from the registration requirements of SEC.

II. Stock Rights

In December 14, 2015, the SEC Markets and Securities Regulation Department approved the request of PHA for exemption from registration of the 199,048,088 shares unclassified common shares with a par value of Php 0.25 per share. This will be issued out of the increase in authorized capital stock by way of stock rights offering.

III. Subscription by Regular Directors

On December 15, 2011 the majority of the board of directors authorized the subscription by three (3) of its regular directors to one hundred seventy five million (175,000,000) of the Company's unissued common shares at a subscription price of P0.30 per share or at P0.05 above par value. The three (3) subscribing directors are: Mr. Augusto Serafica, Jr., Mr. Siso M. Lao and Mr. Teofilo A. Henson. The subscribing directors did not vote during the meeting when their offer to subscribe to the unissued shares was approved.

## Item 6. Management’s Discussion and Analysis or Plan of Operation

**MANAGEMENT REPORT**

### (A) Management’s Discussion and Analysis and Plan of Operation

Our discussions in the foregoing sections of this report may contain forward-looking statements that reflect our current views with respect to the Group’s future plans, events, operational performance, and desired results. These statements, by their very nature, contain substantial elements of risks and uncertainties. Actual results may be different from our forecasts.

Furthermore, the information contained herein should be read in conjunction with the accompanying audited consolidated financial statements and related notes. Our financial statements, and the financial discussions below, have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

***Plan of Operations for Year 2020***

**West Palawan Premiere Development Corp. (WPPDC)**

WPPDC was incorporated in August 9, 2016 as a 100% owned subsidiary of PHA. It shall own the 500 hectares in Brgy. Bacungan Puerto Princesa plus the other properties transferred by the other subsidiaries. In 2018, WPPDC will embark on the development of its 5-hectare Nagtabon property

**Premiere Georesources and Development Inc. (PGDI) (formerly Redstone Construction and Development Corporation (RCDC)).**

PGDI will continue to service its CMC client in Surigao. It shall maintain its existing fleet of 57 heavy equipment, 104 dump trucks and about 49 service vehicles to service the requirement of its client.

**Other Developmental Business Activities/ Subsequent Events**.

The Group continues to identify other businesses that will generate more revenues. It is now looking at various business opportunities in energy and other tourism-related industries.

**Discussion and analysis of the Group and its majority-owned subsidiaries’ top five (5) key performance indicators, including the manner by which the Group calculates or identify the indicators on a comparative basis**.

The Group, with its subsidiaries, uses the following key performance indicators:

1) Revenues
2) Net Income (Loss) From Continuing Operation
3) Debt- to- Equity Ratio
4) Current Ratio
5) Return on Assets

Using the Debt-to-Equity Ratio as indicator, the Group computes the following in the manner presented below:

$$\text{Debt-to-Equity} = \frac{\text{Total Liabilities}}{\text{Total Stockholders' Equity}}$$

Using Current Ratio as indicator, the Group computes the following in the manner presented below:

$$\text{Current Ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

Using Return on Investments as indicator, the Group computes the following in the manner presented below:

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Book Value of Assets}}$$

Presented below is the comparative table of the Group's performance for the years 2019 and 2018, 2017, respectively.

| | | December 31 | | YoY Change |
|---|---|---|---|---|
| | | Audited 2019 | Audited 2018 | |
| 1 | Revenues | 423,656,077 | 480,203,681 | (56,547,604) |
| 2 | Net Income (Loss) | 71,196,838 | (374,466,876) | 445,663,714 |
| 3 | Debt -to- Equity Ratio | 2.99:1 | 3.84:1 | (0.85) |
| 4 | Current Ratio | 1.03:1 | 1.50:1 | (0.47) |
| 5 | Return On Assets | 0.02:1 | (0.10):1 | 0.12 |

| | | December 31 | | YoY Change |
|---|---|---|---|---|
| | | Audited 2018 | Audited 2017 | |
| 1 | Revenues | 480,203,681 | 728,653,757 | (248,450,076) |
| 2 | Net Income (Loss) | (374,466,876) | 39,163,499 | (413,630,375) |
| 3 | Debt -to- Equity Ratio | 3.84:1 | 3.09:1 | 0.75 |
| 4 | Current Ratio | 1.50:1 | 1.88:1 | (0.38) |
| 5 | Return On Assets | (0.10):1 | 0.01:1 | (0.11) |

## I. Revenues

The Group revenues in 2019 amounted to Php 423.66 million which is Php 56.55 million or 11.78% lower than the 2018 Group revenue of P 480.20 million.

The Group revenues in 2018 amounted to Php 480.20 million which is Php 248.45 million or 34.10% lower than the 2017 Group revenue of P 728.65 million.

## II. Net Income

The Group net income in 2019 amounted to Php 71.20 million which is Php 445.66 million or 119.01% higher than the 2018 Group net loss of 374.47 million.

The Group net loss in 2018 amounted to Php 374.47 million which is Php 413.63 million or 1,056.16% lower than the 2017 Group net income of 39.16 million.

### III. Debt to Equity Ratio

The Group debt to equity ratio in 2019, 2018, and 2017 amounted to 2.99:1, 3.84:1, and 3.09:1, respectively.

### IV. Current Ratio

The Group current ratio in 2019, 2018, and 2017 amounted to 1.03:1, 1.50:1, and 1.88:1, respectively.

### V. Return on Assets (ROA)

The Group return on assets for 2019, 2018, and 2017 amounted to 0.02:1, (0.10):1, and 0.01:1, respectively.

***Results of Operations for the last three (3) years***

During the years 2019, 2018, and 2017, the Group recorded a net income (loss) of Php 71.20 million, Php (374.47) million, and Php 39.16 million, respectively. The following are the details of the Company's income statement accounts:

**2019**

- The Group real estate sales in 2019 and 2018 amounted to Php 79.10 million and Php 182.71 million, respectively, which shows a decrease of Php 103.61 million or 56.71%. Majority of the projects were completed in 2019; and no new projects were launched. These resulted to a decrease in realizable sales via percentage of completion.

- The Group mining service revenue in 2019 and 2018 amounted to Php 340.17 million and Php 294.93 million, respectively, which shows an increase of Php 45.23 million or 15.34%. Tonnages from mining, barging, and ore transferring increased in 2019 which resulted to the increase in mining service revenue.

- The Group service income in 2019 and 2018 amounted to Php 4.39 million and Php 2.51 million, respectively, which shows an increase of Php 1.87 million or 74.57%. The increase came from the higher revenues generated by the resort operations of TCNBI, a wholly-owned subsidiary of WPP.

- The Group cost of real estate sales in 2019 and 2018 amounted to Php 99.49 million and Php 172.51 million, respectively, which shows a decrease of Php 73.02 million or 42.33%. As previously stated, no new projects were started, and majority of the projects were completed during 2019 which resulted to lower realizable costs via percentage of completion.

- The Group costs of services in 2019 and 2018 amounted Php 252.11 million and Php 203.30 million, respectively, which shows an increase of Php 48.81 million or 24.01%. The net increase primarily came from the personnel costs and depreciation.

- The Group depreciation and amortization in 2019 and 2018 amounted to Php 115.08 million and Php 90.19 million, respectively, which shows an increase of Php 24.90 million or 27.60%. The increase primarily came from the additional depreciation and amortization charges from the acquisition of equipment in 2019. The said account is presented in the financial statements for 2019 as follows: Cost of Services – Php 97.28 million, and General and Administrative – Php 17.81 million.

- The Group personnel costs in 2019 and 2018 amounted to Php 122.94 million and Php 110.53 million, respectively, which shows an increase of Php 12.42 million or 11.23%. The increase primarily came from higher salary costs. The said account is presented in the financial statements for 2019 as follows: Cost of Services – Php 83.17 million, and General and Administrative Expense – Php 39.77 million.

- The Group repairs and maintenance in 2019 and 2018 amounted to Php 45.64 million and Php 47.89 million, respectively, which shows a decrease of Php 2.25 million or 4.70%. There was no material change in the balance of this account. The said account is presented in the financial statements for 2019 as follows: Cost of Services – Php 41.50 million, and General and Administrative Expense – Php 4.14 million.

- The Group fuel and oil in 2019 and 2018 amounted to Php 9.61 million and Php 15.48 million, respectively, which shows a decrease of Php 5.87 million or 37.89%. The decrease primarily came from the lesser fuel and oil requirements. The said account is presented in the financial statements for 2019 under Cost of Services.

- The Group transportation and travel in 2019 and 2018 amounted to Php 17.59 million and Php 10.13 million, respectively, which shows an increase of Php 7.45 million or 73.56%. The increase primarily came from the higher transportation and travel operating requirements. The said account is presented in the financial statements for 2019 as follows: Cost of Services – Php 7.34 million, and General and Administrative Expense – Php 10.24 million.

- The Group taxes and licenses in 2019 and 2018 amounted to Php 20.68 million and Php 17.28 million, respectively, which shows an increase of Php 3.40 million or 19.67%. The increase primarily came from the higher tax base and taxable transactions. The said account is presented in the financial statements for 2019 as follows: Cost of Services – Php 5.84 million, and General and Administrative Expense – Php 14.84 million.

- The Group professional and legal fees in 2019 and 2018 amounted to Php 62.73 million and Php 48.69 million, respectively, which shows an increase of Php 14.04 million or 28.85%. The increase primarily came from the additional services availed from professionals and increases in fees for the year 2019. The said account is presented in the financial statements for 2019 as follows: Cost of Services – Php 5.33 million, and General and Administrative Expense – Php 57.40 million.

- The Group entertainment, amusement, and recreation in 2019 and 2018 amounted to Php 9.05 million and Php 5.33 million, respectively, which shows an increase of Php 3.72

million or 69.68%. The increase primarily came from the higher entertainment, amusement, and recreation incurred by PGDI. The said account is presented in the financial statements for 2019 under General and Administrative Expenses.

- The Group rentals and utilities in 2019 and 2018 amounted to Php 8.89 million and Php 7.12 million, respectively, which shows an increase of Php 1.78 million or 24.94%. The increase primarily came from higher and utilities expenses incurred by the Group. The said account is presented in the financial statements for 2019 under General and Administrative Expenses.

- The Group Commissions in 2019 and 2018 amounted to Php 19.00 million and Php 27.27 million, respectively, which shows a decrease of Php 8.27 million or 30.33%. The decrease primarily came from the lower available units for sale. The said account is presented in the financial statements for 2018 under General and Administrative Expenses.

- The Group filing and listing fees in 2019 and 2018 amounted to Php 14.05 million and Php 6.63 million, respectively, which shows an increase of Php 7.42 million or 111.97%. The said account is presented in the financial statements for 2019 under General and Administrative Expenses.

- The Group outside services in 2019 and 2018 amounted to Php 9.18 million and Php 3.25 million, respectively, which shows an increase of Php 5.93 million or 182.75%. The increase primarily came from the additional services availed in 2019. The said account is presented in the financial statements for 2019 under General and Administrative Expenses.

- The Group freight and handling in 2019 and 2018 amounted to Php 1.57 million and Php 1.54 million, respectively, which shows an increase of Php 0.02 million or 1.57%. There was no material change in the balance of this account. The said account is presented in the financial statements for 2019 under General and Administrative Expenses.

- The Group supplies and materials in 2019 and 2018 amounted to Php 1.19 million and Php 1.61 million, respectively, which shows a decrease of Php 0.42 million or 26.10%. The decrease came from the lower supplies and materials requirement of the Group. The said account is presented in the financial statements for 2019 under General and Administrative Expenses.

- The Group advertising and promotions in 2019 and 2018 amounted to Php 0.41 million and Php 0.97 million, respectively, which shows a decrease of Php 0.56 million or 57.72%. The decrease primarily came from the lower advertising and promotion costs of GLCI. The said account is presented in the financial statements for 2019 under General and Administrative Expenses.

- The Group other expenses in 2019 and 2018 amounted to Php 3.39 million and Php 21.26 million, respectively, which shows a decrease of Php 17.87 million or 84.07%. The decrease primarily came from the lower other expense requirement of the Group. The said account is presented in the financial statements for 2019 as follows: Cost of Services – Php 2.03 million, and General and Administrative Expense – Php 1.36 million.

- The Group unrealized gain on revaluation of land in 2019 and 2018 amounted to Php 816.49 million and Nil, respectively, which shows an increase of Php 816.49 million. The increase came from the recognition of the unrealized gain from investment property. The said account under Other Income (Charges).

- The Group interest income in 2019 and 2018 amounted to Php 6.29 million and Php 4.67 million, respectively, which shows an increase of Php 1.62 million or 34.61%. The increase primarily came from the higher cash in bank balances. The said account under Other Income (Charges).

- The Group impairment losses in 2019 and 2018 amounted to Php 58.53 million and Php 158.41 million, respectively, which shows a decrease of Php 99.88 million or 63.05%. The decrease in impairment losses came from the fewer recognition of additional impairments. The said account is presented under Other Income (Charges).

- The Group interest expense in 2019 and 2018 amounted to Php 317.96 million and Php 187.83 million, respectively, which shows an increase of Php 130.13 million or 69.28%. The increase primarily came from the lower capitalized interest expenses. The said account is presented under Other Income (Charges).

**2018**

- The Group real estate sales in 2018 and 2017 amounted to Php 182.71 million and Php 479.48 million, respectively, which shows a decrease of Php 296.76 million or 61.89%. In 2018, there was a further slowdown in GLCI's real estate sales and construction works which resulted in the aforesaid decrease.

- The Group mining service revenue in 2018 and 2017 amounted to Php 294.93 million and Php 247.14 million, respectively, which shows an increase of Php 47.79 million or 19.34%. In 2018, PGDI's increase in mining service revenue resulted from the increase in tonnages it served.

- The Group service income in 2018 and 2017 amounted to Php 2.51 million and Php 1.65 million, respectively, which shows an increase of Php 0.87 million or 52.47%. The increase came from resort operations of TCNBI, a wholly-owned subsidiary of WPP.

- The Group film rights in 2018 and 2017 amounted to Php –nil- and 0.43 million, respectively. There were no film rights sold for 2018.

- The Group cost of real estate sales in 2018 and 2017 amounted to Php 172.51 million and Php 289.05 million, respectively, which shows a decrease of Php 116.54 million or 40.32%. As previously stated, there was a further slowdown in GLCI's real estate constructions which resulted in the aforesaid decrease.

- The Group costs of services in 2018 and 2017 amounted Php 203.30 million and Php 221.33 million, respectively, which shows a decrease of Php 18.03 million or 8.15%. The net decrease primarily came from the higher salaries & wages, pension expenses, and repairs and maintenance, and the lower rentals and utilities, fuel and oil, and miscellaneous expenses.

- The Group depreciation and amortization in 2018 and 2017 amounted to Php 90.19 million and Php 85.67 million, respectively, which shows an increase of Php 4.52 million or 5.28%. The increase primarily came from the additional depreciation and amortization charges in 2018. The said account is presented in the financial statements for 2018 as follows: Cost of Services – Php 56.11 million, and General and Administrative – Php 34.08 million.

- The Group personnel costs in 2018 and 2018 amounted to Php 110.53 million and Php 108.64 million, respectively, which shows an increase of Php 1.89 million or 1.74%. There was no material change in the balance of this account. The said account is presented in the financial statements for 2018 as follows: Cost of Services – Php 65.91 million, and General and Administrative Expense – Php 44.62 million.

- The Group fuel and oil in 2018 and 2017 amounted to Php 15.48 million and Php 37.74 million, respectively, which shows a decrease of Php 22.26 million or 58.99%. The decrease primarily came from the decrease in the fuel and oil requirements of PGDI. The said account is presented in the financial statements for 2018 under Cost of Services.

- The Group repairs and maintenance in 2018 and 2017 amounted to Php 47.89 million and Php 37.09 million, respectively, which shows an increase of Php 10.79 million or 29.10%. The increase primarily came from the extensive repairs and maintenance performed during the year. The said account is presented in the financial statements for 2018 as follows: Cost of Services – Php 47.32 million, and General and Administrative Expense – Php 0.57 million.

- The Group taxes and licenses in 2018 and 2017 amounted to Php 17.28 million and Php 16.75 million, respectively, which shows an increase of Php 0.53 million or 3.16%. There was no material change in the balance of this account. The said account is presented in the financial statements for 2018 as follows: Cost of Services – Php 5.06 million, and General and Administrative Expense – Php 12.22 million.

- The Group transportation and travel in 2018 and 2017 amounted to Php 10.13 million and Php 6.52 million, respectively, which shows an increase of Php 3.62 million or 55.52%. The increase primarily came from the additional transportation and travel requirements of PHA and PGDI. The said account is presented in the financial statements for 2018 as follows: Cost of Services – Php 5.07 million, and General and Administrative Expense – Php 5.06 million.

- The Group professional and legal fees in 2018 and 2017 amounted to Php 48.69 million and Php 25.16 million, respectively, which shows an increase of Php 23.53 million or 93.54%. The increase primarily came from the additional services availed from professionals for the year 2018. The said account is presented in the financial statements for 2018 as follows: Cost of Services – Php 5.25 million, and General and Administrative Expense – Php 43.44 million.

- The Group rentals and utilities in 2018 and 2017 amounted to Php 7.12 million and Php 12.28 million, respectively, which shows a decrease of Php 5.16 million or 42.04%. The decrease primarily came from lower and utilities expenses incurred by the Group. The said account is presented in the financial statements for 2018 as follows: Cost of Services – Php 0.20 million, and General and Administrative Expense – Php 6.92 million.

- The Group entertainment, amusement, and recreation in 2018 and 2017 amounted to Php 5.33 million and Php 3.06 million, respectively, which shows an increase of Php 2.27 million or 74.13%. The increase primarily came from the additional entertainment, amusement, and recreation incurred by PGDI. The said account is presented in the financial statements for 2018 as follows: Cost of Services – Php 2.63 million, and General and Administrative Expense – Php 2.70 million.

- The Group Commissions in 2018 and 2017 amounted to Php 27.27 million and Php 27.24 million, respectively, which shows an increase of Php 0.03 million or 0.09%. There was no material change in this account. The said account is presented in the financial statements for 2018 under General and Administrative Expenses.

- The Group outside services in 2018 and 2017 amounted to Php 3.25 million and Php 2.10 million, respectively, which shows an increase of Php 1.14 million or 54.39%. The net decrease primarily came from the lower security services incurred by PGDI and the higher security services and outside services incurred by WPP. The said account is presented in the financial statements for 2018 under General and Administrative Expenses.

- The Group supplies and materials in 2018 and 2017 amounted to Php 1.61 million and Php 2.06 million, respectively, which shows a decrease of Php 0.44 million or 21.54%. The decrease came from the lower supplies and materials requirement of the Group. The said account is presented in the financial statements for 2018 under General and Administrative Expenses.

- The Group advertising and promotions in 2018 and 2017 amounted to Php 0.97 million and Php 1.77 million, respectively, which shows a decrease of Php 0.81 million or 45.48%. The decrease primarily came from the lower advertising and promotion costs of GLCI. The said account is presented in the financial statements for 2018 under General and Administrative Expenses.

- The Group freight and handling in 2018 and 2017 amounted to Php 1.54 million and Php 1.69 million, respectively, which shows a decrease of Php 0.15 million or 8.78%. The decrease primarily came from the lower freight and handling requirements of PGDI. The said account is presented in the financial statements for 2018 under General and Administrative Expenses.

- The Group filing and listing fees in 2018 and 2017 amounted to Php 6.63 and nil, respectively. This account represents the filing and listing fees incurred by PGDI. The said account is present in the financial statements for 2018 under General and Administrative Expenses.

- The Group other expenses in 2018 and 2017 amounted to Php 21.26 million and Php 32.80 million, respectively, which shows a decrease of Php 11.54 million or 35.19%. The decrease primarily came from the lower other expenses requirement of the Group. The said account is presented in the financial statements for 2018 as follows: Cost of Services – Php 0.28 million, and General and Administrative Expense – Php 20.98 million.

- The Group interest income in 2018 and 2017 amounted to Php 4.67 million and Php 7.16 million, respectively, which shows a decrease of Php 2.49 million or 34.72%. The decrease primarily came from the reduced cash in bank balances. The said account under Other Income (Charges).

- The Group impairment losses in 2018 and 2017 amounted to Php 158.41 million and Php 0.22 million, respectively, which shows an increase of Php 158.38 million or 702,052.81%. The increase in impairment losses came from impairments of receivables, and certain assets. The said account is presented under Other Income (Charges).

- The Group interest expense in 2018 and 2017 amounted to Php 187.83 million and Php 95.66 million, respectively, which shows an increase of Php 92.17 million or 96.35%. The increase primarily came from the additional interest-bearing loans incurred in 2018. The said account is presented under Other Income (Charges).

- The Group other income in 2018 and 2017 amounted to Php 19.87 million and Php 26.78 million, respectively, which shows a decrease of Php 6.91 million or 25.81%. The decrease primarily came from lower other income of GLCI. The said account is presented under Other Income (Charges).

**2017**

- The Group real estate sales in 2017 and 2016 amounted to Php 479.48 million and Php 605.42 million, respectively, which shows a decrease of Php 125.94 million or 20.80%. In 2017, there was a slowdown in GLCI's real estate constructions which resulted in the aforesaid decrease.

- The Group mining service revenue in 2017 and 2016 amounted to Php 247.14 million and Php 297.83 million, respectively, which shows a decrease of Php 50.69 million or 17.02%. In 2017, there was a slowdown in RCDC's mining operations which resulted in the aforesaid decrease.

- The Group service income in 2017 and 2016 amounted to Php 1.65 million and Php 7.88 million, respectively, which shows a decrease of Php 6.23 million or 79.08%. In 2017, the operations of CUBES were suspended which resulted in the aforesaid decrease.

- The Group film rights in 2017 and 2016 amounted to Php 0.43 million and -nil-, respectively. In 2017, the Company sold one of its film rights which resulted in the aforesaid revenue. There were no film rights sold for 2016.

- The Group cost of real estate sales in 2017 and 2016 amounted to Php 289.05 million and Php 380.42 million, respectively, which shows a decrease of Php 91.37 million or 24.02%. As previously stated, there was a slowdown in GLCI's real estate constructions which resulted in the aforesaid decrease.

- The Group costs of services in 2017 and 2016 amounted Php 221.33 million and Php 259.88 million, respectively, which shows a decrease of Php 38.55 million or 14.84%. As previously stated, there was a slowdown in RCDC's operations and a suspension of CUBES' operations which resulted in the aforesaid decrease.

- The Group depreciation and amortization in 2017 and 2016 amounted to Php 85.67 million and Php 112.47 million, respectively, which shows a decrease of Php 26.80 million or 23.83%. The decrease primarily came from the change in useful life of certain depreciable assets. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 57.52 million, and General and Administrative Expense – Php 28.15 million.

- The Group personnel costs in 2017 and 2016 amounted to Php 108.64 million and Php 112.73 million, respectively, which shows a decrease of Php 4.09 million or 3.63%. The decrease primarily came from the suspension of operations CUBES. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 57.00 million, and General and Administrative Expense – Php 51.64 million.

- The Group fuel and oil in 2017 and 2016 amounted to Php 37.74 million and Php 50.65 million, respectively, which shows a decrease of Php 12.91 million or 25.49%. The decrease primarily came from the slowdown in RCDC's operations. The said account is presented in the financial statements for 2017 under Cost of Services.

- The Group repairs and maintenance in 2017 and 2016 amounted to Php 37.09 million and Php 33.36 million, respectively, which shows an increase of Php 3.73 million or 11.18%. The increase primarily came from the extensive repairs and maintenance performed during the year. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 36.59 million, and General and Administrative Expense – Php 0.50 million.

- The Group taxes and licenses in 2017 and 2016 amounted to Php 16.75 million and Php 12.38 million, respectively, which shows an increase of Php 4.37 million or 35.30%. The increase primarily came from the higher taxable base and bracket used to compute taxes and licenses for the year 2017. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 5.77 million, and General and Administrative Expense – Php 10.98 million.

- The Group transportation and travel in 2017 and 2016 amounted to Php 6.51 million and Php 14.87 million, respectively, which shows a decrease of Php 8.36 million or 56.22%. The decrease primarily came from the reduced transportation and travel requirements for the year 2017. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 4.80 million, and General and Administrative Expense – Php 1.71 million.

- The Group professional and legal fees in 2017 and 2016 amounted to Php 25.16 million and Php 43.29 million, respectively, which shows a decrease of Php 18.13 million or 41.88%. The decrease primarily came from the reduced services availed from professionals for the year 2017. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 4.50 million, and General and Administrative Expense – Php 20.66 million.

- The Group rentals and utilities in 2017 and 2016 amounted to Php 12.28 million and Php 19.32 million, respectively, which shows a decrease of Php 7.04 million or 36.44%. The decrease primarily came from the slowdown and suspension of operations. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 3.83 million, and General and Administrative Expense – Php 8.45 million.

- The Group entertainment, amusement, and recreation in 2017 and 2016 amounted to Php 3.07 million and Php 6.68 million, respectively, which shows a decrease of Php 3.61 million or 54.04%. The decrease primarily came from the slowdown and suspension of operations. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 2.47 million, and General and Administrative Expense – Php 0.60 million.

- The Group Commissions in 2017 and 2016 amounted to Php 27.24 million and Php 37.50 million, respectively, which shows a decrease of Php 10.26 million or 27.36%. The decrease primarily came from the slowdown and suspension of operations. The said account is presented in the financial statements for 2017 under General and Administrative Expenses.

- The Group outside services in 2017 and 2016 amounted to Php 2.10 million and Php 3.25 million, respectively, which shows a decrease of Php 1.15 million or 35.38%. The decrease primarily came from the slowdown and suspension of operations. The said account is presented in the financial statements for 2017 under General and Administrative Expenses.

- The Group supplies and materials in 2017 and 2016 amounted to Php 2.06 million and Php 0.67 million, respectively, which shows an increase of Php 1.39 million or 207.46%. The increase primarily came from the increased operational requirements. The said account is presented in the financial statements for 2017 under General and Administrative Expenses.

- The Group advertising and promotions in 2017 and 2016 amounted to Php 1.77 million and Php 4.77 million, respectively, which shows a decrease of Php 3.00 million or 62.89%. The decrease primarily came from the slowdown and suspension of operations. The said account is presented in the financial statements for 2017 under General and Administrative Expenses.

- The Group freight and handling in 2017 and 2016 amounted to Php 1.69 million and Php 0.88 million, respectively, which shows an increase of Php 0.81 million or 92.05%. The increase primarily came from the increased operational requirements. The said account is presented in the financial statements for 2017 under General and Administrative Expenses.

- The Group other expenses in 2017 and 2016 amounted to Php 32.80 million and Php 16.68 million, respectively, which shows an increase of Php 16.12 million or 96.64%. The increase primarily came from the increased operational requirements. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 11.10 million, and General and Administrative Expense – Php 21.70 million.

- The Group interest income in 2017 and 2016 amounted to Php 7.16 million and Php 13.94 million, respectively, which shows a decrease of Php 6.78 million or 48.64%. The decrease primarily came from the reduced cash in bank balances. The said account under Other Income (Charges).

- The Group change in fair value of investment property in 2017 and 2016 amounted to Php –nil- and Php 158.94 million, respectively. There were no changes in fair value of investment property in 2017. The said account is presented under Other Income (Charges).

- The Group sale of asset held for sale in 2017 and 2016 amounted to Php –nil- and Php 10.26 million, respectively. There were no sale of asset held for sale in 2017. The said account is presented under Other Income (Charges).

- The Group impairment losses in 2017 and 2016 amounted to Php 0.02 million and Php 3.48 million, respectively, which shows a decrease of Php 3.46 million or 99.43%. There were fewer and lower assessments for impaired assets in 2017. The said account is presented under Other Income (Charges).

- The Group interest expense in 2017 and 2016 amounted to Php 95.66 million and Php 129.79 million, respectively, which shows a decrease of Php 34.13 million or 26.30%. The decrease primarily came from the increased capitalization of borrowing costs in 2017. The said account is presented under Other Income (Charges).

- The Group other income in 2017 and 2016 amounted to Php 26.78 million and Php 6.88 million, respectively, which shows an increase of Php 19.90 million or 289.24%. The increase primarily came from additional income earned from other sources. The said account is presented under Other Income (Charges).

**FINANCIAL POSITION**

**2019**

The Company's total assets as of December 31, 2019 and 2018 amounted to Php 4,069.26 million and Php 3,777.93 million, respectively, which shows an increase of Php 291.33 million or 7.71%. The Company's total liabilities as of December 31, 2019 and 2018 amounted to Php 3,049.77 million and Php 2,997.28 million, respectively, which shows an increase of Php 52.49 million or 1.75%. The Company's equity attributable to parent as of December 31, 2019 and 2018 amounted to Php 686.02 million and Php 277.87 million, respectively, which shows an increase of Php 408.14 million or 146.88%. The Company's equity attributable to non-controlling interests as of December 31, 2019 and 2018 amounted to Php 333.47 million and Php 502.77 million, respectively, which shows a decrease of Php 169.30 million or 33.67%.

The following are the balance sheet items with changes amounting to five percent (5%) from the previous year:

- Cash as of December 31, 2019 and 2018 amounted to Php 81.56 million and Php 68.98 million, respectively, which shows an increase of Php 12.58 million or 18.24%. Cash flows used in operating activities amounted to Php 19.62 million. Cash flows used in investing activities amounted to Php 97.97 million. Cash flows used in financing activities amounted to Php 130.17 million. These resulted to a net increase in cash flow of Php 12.58 million.

- Receivables - net as of December 31, 2019 and 2018 amounted to Php 84.57 million and Php 86.34 million, respectively, which shows a decrease of Php 1.77 million or 2.05%. The account balance did not materially change from last year.

- Contract assets – current portion as of December 31, 2019 and 2018 amounted to Php 618.36 million and Php 1,028.15 million, respectively, which shows a decrease of 409.79 million or 39.86%. Since no new sales from new projects were generated, and substantial contract assets were collected during the year, the balance of contract receivables decreased.

- Real estate held for sale as of December 31, 2019 and 2018 amounted to Php 1,025.56 million and Php 1,606.44 million, respectively, which shows a decrease of Php 580.89 million or 36.16%. The decrease primarily came from the reclassification of certain real properties to investment properties.

- Other current assets as of December 31, 2019 and 2018 amounted to Php 134.30 million and Php 92.36 million, respectively, which shows an increase of Php 41.94 million or 45.41%. The increase primarily came from the higher input vat and tax credits.

- Investment property as of December 31, 2019 and 2018 amounted to Php 1,298.47 million and nil, respectively. This account came from the reclassifications due of certain real properties from real estate held for sale to investment properties. Investment property is carried at fair value which resulted to an unrealized gain of Php 816.49 million in 2019.

- Non-current portion of contract asset as of December 31, 2019 and 2018 amounted to Php 55.07 million and Php 111.73 million, respectively, which shows a decrease of Php 56.67 million or 50.72% The decrease came from the reclassification of the noncurrent portion of contract assets to current.

- Property and equipment - net as of December 31, 2019 and 2018 amounted to Php 310.71 million and Php 294.92 million, respectively, which shows an increase of Php 15.80 million or 5.36%. The net increase primarily came from the additional acquisitions and depreciation in 2019.

- Right of use assets as of December 31, 2019 and 2018 amounted to Php 1.35 million and nil, respectively. This account came from the adoption of a new accounting standard in 2019.

- Deferred tax assets as of December 31, 2019 and 2018 amounted to Php 31.60 million and Php 32.77 million, respectively, which shows a decrease of Php 1.17 million or 3.58%. The net decrease primarily came from the reversal of temporary tax differences in 2019.

- Other noncurrent assets as of December 31, 2019 and 2018 amounted to Php 17.75 million and Php 45.83 million, respectively, which shows a decrease of Php 28.08 million or 61.27%. The decrease primarily came from the full collection of advances to suppliers.

- Trade and other payables as of December 31, 2019 and 2018 amounted to Php 630.50 million and Php 806.56 million, respectively, which shows a decrease of Php 176.06 million or 21.83%. The net decrease primarily came from the payment and reclassification of certain advances.

- Contract liabilities as of December 31, 2019 and 2018 amounted to Php 11.91 and 29.69, respectively, which shows a decrease of Php 17.78 million or 59.89%. The decrease primarily came from payments made in 2019.

- Income tax payable as of December 31, 2019 and 2018 amounted to Nil and Php 0.67 million, respectively, which shows a decrease of Php 0.67 million or 100%. The Company has no income tax still due as of December 31, 2019.

- Short term loans as of December 31, 2019 and 2018 amounted to Php 204.00 million and Php 243.90 million, respectively, which shows a decrease of Php 39.90 million or 16.36%. The decrease came from the short-term loan payments in 2019.

- Purchased land payable as of December 31, 2019 and 2018 amounted to Php 49.36 million and Php 100.86 million, respectively, which shows a decrease of Php 51.50 million or 51.06%. The decrease came from the payments made in 2019. Current portion of purchased land payable as of December 31, 2019 and 2018 amounted to Php 49.36 million and Php 92.39 million, respectively. Noncurrent portion of purchased land payable as of December 31, 2019 and 2018 amounted to Php nil and Php 8.48 million, respectively.

- Loans payable as of December 31, 2019 and 2018 amounted to Php 992.10 million and Php 1,041.26 million, respectively, which shows a decrease of Php 49.16 million or 4.72%. The decrease came from the payments made in 2019. Current portion of loans payable as of December 31, 2019 and 2018 amounted to Php 748.30 million and Php 674.82 million, respectively. Noncurrent portion of loans payable as of December 31, 2019 and 2018 amounted to Php 243.81 million and Php 366.44 million, respectively.

- Obligations under finance lease as of December 31, 2019 and 2018 amounted to Php 2.36 million and Php 7.82 million, respectively, which shows a decrease of Php 5.46 million or 69.82%. The decrease came from the payments made in 2019. Current portion of Obligations under finance lease as of December 31, 2019 and 2018 amounted to Php 2.36 million and Php 3.78 million, respectively. Noncurrent portion of Obligations under finance lease as of December 31, 2019 and 2018 amounted to Nil and Php 4.04 million, respectively.

- Convertible loans as of December 31, 2019 and 2018 amounted to Php 444.53 million and Php 465.43 million, respectively, which shows a decrease of Php 20.89 million or 4.49%. The decrease came from the payments made in 2019. Current portion of Convertible loans as of December 31, 2019 and 2018 amounted to Php 112.50 million and nil, respectively. Noncurrent portion of Convertible loans as of December 31, 2019 and 2018 amounted to Php 332.03 million and Php 465.43 million, respectively.

- Installment payable as of December 31, 2019 and 2018 amounted to Php 75.46 million and Php 13.55 million, respectively, which shows an increase of Php 61.90 million or 456.68%. The increase came from the new loans for the acquisition of equipment in 2019. Current portion of installment payable as of December 31, 2019 and 2018 amounted to Php 58.40 million and Php 8.65 million, respectively. Noncurrent portion of Installment payable as of December 31, 2019 and 2018 amounted to Php 17.06 million and Php 4.91 million, respectively.

- Lease liability as of December 31, 2019 and 2018 amounted to Php 1.44 million and nil, respectively. The lease liability came from the adoption of a new accounting standard. Current portion of lease liability as of December 31, 2019 and 2018 amounted to Php 0.86 million and nil, respectively. Noncurrent portion of lease liability as of December 31, 2019 and 2018 amounted to Php 0.58 million and nil, respectively.

- Loans from third parties as of December 31, 2019 and 2018 amounted to Php 8.00 million and Php nil, respectively. The balance came from the reclassification made in 2019.

- Loans from officers and shareholders as of December 31, 2019 and 2018 amounted to Php 47.20 million and Php nil, respectively. The balance came from the reclassification made in 2019.

- Advances from Officers and employees as of December 31, 2019 and 2018 amounted to Php 62.28 million and Php nil, respectively. The balance came from the reclassification made in 2019.

- Pension liabilities as of December 31, 2019 and 2018 amounted to Php 26.00 million and Php 13.33 million, respectively. The increase primarily came from remeasurement loss on defined benefit obligation incurred in 2019.

- Callable loans as of December 31, 2019 and 2018 amounted to Php 22.00 million and Php 15.00 million, respectively, which shows an increase of Php 7.00 million or 46.67%. The increase came from the additional callable loans availed in 2019.

- Deferred tax liabilities as of December 31, 2019 and 2018 amounted to Php 405.88 million and Php 192.47 million, respectively, which shows an increase of Php 213.42 million or 110.89%. The increase primarily came from the deferred taxes of the unrealized gain on revaluation of land.

- Capital stock as of December 31, 2019 and 2018 amounted to Php 497.62 million and Php 472.72 million, respectively, which shows an increase of Php 24.91 million or 5.27%. The increase came from the collection of subscription receivables in 2019. As of December 31, 2019, all capital stock subscription receivables were fully collected.

- Additional paid-in capital as of December 31, 2019 and 2018 amounted to Php 97.02 million and Php 66.07 million, respectively, which shows an increase of Php 30.95 million or 46.84%. The increase came from the sale of the parent company shares held by a subsidiary.

- Retained Earnings (Deficit) as of December 31, 2019 and 2018 amounted to Php 91.38 million and Php (140.69) million, respectively, which shows an increase of 232.07 million or 164.95%. The increase came from the net income generated in 2019.

- Parent company shares held by a subsidiary as of December 31, 2019 and 2018 amounted to Nil and Php 120.23 million, respectively, which shows a decrease of Php 120.23 million or 100%. The decrease came from the sale of the parent company shares held by a subsidiary in 2019.

**2018**

The Company's total assets as of December 31, 2018 and 2017 amounted to Php 3,777.93 million and Php 4,096.55 million, respectively, which shows a decrease of Php 318.62 million or 7.78%. The Company's total liabilities as of December 31, 2018 and 2017 amounted to Php 2,997.28 million and Php 3,094.38 million, respectively, which shows a decrease of Php 97.10 million or 3.14%. The Company's equity attributable to parent as of December 31, 2018 and 2017 amounted to Php 277.87 million and Php 591.84 million, respectively, which shows a decrease of Php 313.97 million or 53.05%. The Company's equity attributable to non-controlling interests as of December 31, 2018 and 2017 amounted to Php 502.77 million and Php 410.33 million, respectively, which shows an increase of Php 92.44 million or 22.53%.

The following are the balance sheet items with changes amounting to five percent (5%) from the previous year:

- Receivables - net as of December 31, 2018 and 2017 amounted to Php 86.34 million and Php 1,424.67 million, respectively, which shows a decrease of Php 1,338.33 million or 93.94%. The decrease primarily came from the collections of contract receivables and reclassifications to contract asset due to adoption of new accounting standards.

- Contract asset – current portion as of December 31, 2018 and 2017 amounted to Php 1,028.15 and Nil, respectively. This account came from the reclassifications due to adoption of new accounting standards.

- Real estate held for sale as of December 31, 2018 and 2017 amounted to Php 1,606.44 million and Php 1,403.77 million, respectively, which shows an increase of Php 202.67 million or 14.44%. The increase primarily came from the additional construction and development costs of the Company's real estate assets and the lower cost of real estate sales recognized during the year.

- Other current assets as of December 31, 2018 and 2017 amounted to Php 92.36 million and Php 315.00 million, respectively, which shows a decrease of Php 222.64 million or 70.68%. The decrease primarily came from the lower balance of advances to contractors and the lower supplies inventory of PGDI.

- Non-current portion of contract asset as of December 31, 2018 and 2017 amounted to Php 111.73 and nil, respectively. This account came from the reclassifications due to adoption of new accounting standards.

- Non-current portion of contracts receivable as of December 31, 2018 and 2017 amounted to Nil and Php 220.98 million, respectively, which shows a decrease of Php 109.25 million or 49.44%. The decrease primarily came from the reclassifications due to adoption of new accounting standards.

- Deferred exploration costs as of December 31, 2018 and 2017 amounted to Php 390.20 million and -nil-, respectively. This account represents the expenditures incurred in the exploration activities over the limestone deposits of PSMVI and PHMIC for the Panitian Limestone Project.

- Goodwill and intangible assets as of December 31, 2018 and 2017 amounted to Php 20.21 million and Php 143.71 million, respectively, which shows a decrease of Php 123.50 million or 85.94%. The decrease came from the amortization of intangible assets and recognition of impairment losses on goodwill, film rights, and exclusive distribution rights.

- Property and equipment - net as of December 31, 2018 and 2017 amounted to Php 294.92 million and Php 330.39 million, respectively, which shows a decrease of Php 35.47 million or 10.74%. The net decrease primarily came from the additional acquisitions and depreciation during the year.

- Other noncurrent assets as of December 31, 2018 and 2017 amounted to Php 45.83 million and Php 187.87 million, respectively, which shows a decrease of Php 142.04 million or 75.61%. The decrease primarily came from the lower balance of advances to supplier and advances for projects.

- Trade and other payables as of December 31, 2018 and 2017 amounted to Php 806.56 million and Php 907.37 million, respectively, which shows a decrease of Php 100.81 million or 11.11%. The net decrease primarily came from the additional advances from shareholder and customer's deposit and advances, and the payments of trade payables and advances from third parties.

- Contract liabilities as of December 31, 2018 and 2017 amounted to Php 29.69 and nil, respectively. This account came from the reclassifications due to adoption of new accounting standards.

- Short-term loans as of December 31, 2018 and 2017 amounted to Php 243.90 million and Php 209.10 million, respectively, which shows an increase of Php 34.80 million or 16.64%. The increase primarily came from the additional short-term loans availed by the Group.

- Dividends payable as of December 31, 2018 and 2017 amounted to Php 39.80 million and -nil-, respectively. The dividends payable came from the property and cash dividends declared by PHA.

- Capital gains tax payable – current portion as of December 31, 2018 and 2017 amounted to Php 16.82 million and Php 6.69 million, respectively, which shows an increase of Php 10.13 million or 151.35%. The increase came from the reclassification from non-current to current.

- Income tax payable as of December 31, 2018 and 2017 amounted to Php 0.67 million and Php 0.34 million, respectively, which shows an increase of Php 0.32 million or 93.43%. The increase primarily came from the higher taxable income.

- Purchased land payable – current portion as of December 31, 2018 and 2017 amounted to Php 92.39 million and Php 148.90 million, respectively, which shows a decrease of Php 56.52 million or 37.96%. The decrease primarily came from the payments made during the year.

- Loans payable – current portion as of December 31, 2018 and 2017 amounted to Php 674.82 million and Php 407.70 million, respectively, which shows an increase of Php 267.12 million or 65.52%. The increase primarily came from additional loans availed during the year.

- Obligations under finance lease – current portion as of December 31, 2018 and 2017 amounted to Php 3.78 million and Php 26.12 million, respectively, which shows a decrease of Php 22.34 million or 85.51%. The decrease primarily came from payments made during the year.

- Installment payable – current portion as of December 31, 2018 and 2017 amounted to Php 8.65 and Php –nil-, respectively, which shows an increase of Php 8.65 million or 100%. The increase came from the installment loan availed during the year.

- Capital gains tax payable – noncurrent as of December 31, 2018 and 2017 amounted to Php 10.13 million and Php 20.25 million, respectively which shows a decrease of Php 10.13 million or 50.00%. The decrease from the payment of reclassification from non-current to current.

- Convertible loans as of December 31, 2018 and 2017 amounted to Php 465.43 million and Php 522.92 million, respectively, which shows a decrease of Php 57.50 million or 11.00%. The decrease primarily came from the payments made during the year.

- Callable loans as of December 31, 2018 and 2017 amounted to Php 15.00 million and -Nil, respectively. This represents the loan which will be used to finance the land developments in Nagtabon beach and to finance the purchase of lots.

- Purchased land payable – noncurrent portion as of December 31, 2018 and 2017 amounted to Php 8.48 million and Php 20.37 million, respectively, which shows a decrease of Php 11.89 million or 58.37%. The decrease primarily came from the reclassification of non-current to current.

- Loans payable – noncurrent portion as of December 31, 2018 and 2017 amounted to Php 366.44 million and Php 566.76 million, respectively, which shows a decrease of Php 200.31 million or 35.34%. The decrease primarily came from the reclassification of non-current to current.

- Obligations under finance lease – noncurrent portion as of December 31, 2018 and 2017 amounted to Php 4.04 million and Php 8.62 million, respectively, which shows a decrease of Php 4.59 million or 53.18%. The decrease primarily came from the reclassification of non-current to current.

- Installment payable – noncurrent portion as of December 31, 2018 and 2017 amounted to Php 4.91 and -Nil-, respectively. This represents the non-current portion of the installment loan availed during 2018.

- Deferred tax liabilities as of December 31, 2018 and 2017 amounted to Php 192.47 million and Php 236.04 million, respectively, which shows a decrease of Php 43.57 million or 18.46%. The decrease primarily came from the reversal of certain deferred tax liabilities during 2018.

**2017**

The Company's total assets as of December 31, 2017 and 2016 amounted to Php 4,096.55 million and Php 3,723.64 million, respectively, which shows an increase of Php 372.90 million or 10.01%. The Company's total liabilities as of December 31, 2017 and 2016 amounted to Php 3,094.38 million and Php 2,790.00 million, respectively, which shows an increase of Php 304.38 million or 10.91%. The Company's equity as of December 31, 2017 and 2016 amounted to Php 591.84 million and Php 533.99 million, respectively, which shows an increase of Php 57.85 million or 10.83%. The Company's equity attributable to non-controlling interests as of December 31, 2017 and 2016 amounted to Php 410.33 million and Php 399.64 million, respectively, which shows an increase of Php 10.69 million or 2.67%.

The following are the balance sheet items with changes amounting to five percent (5%) from the previous year:

- Cash as of December 31, 2017 and 2016 amounted to Php 70.16 million and Php 90.31 million, respectively, which shows a decrease of Php 20.15 million or 22.31%. Cash used in operations amounted to Php 71.65 million; cash used in investing activities amounted to Php 163.56 million; while cash provided by financing activities amounted to Php 215.07 million; the sum of which represents the aforementioned decrease.

- Receivables - net as of December 31, 2017 and 2016 amounted to Php 1,424.67 million and Php 1,145.32 million, respectively, which shows an increase of Php 279.35 million or 24.39%. The increase primarily came from the uncollected contract receivables.

- Real estate held for sale as of December 31, 2017 and 2016 amounted to Php 824.99 million and Php 723.28 million, respectively, which shows an increase of Php 101.71 million or 14.06%. The increase primarily came from the additional construction and development costs of the Company's real estate assets.

- Inventories as of December 31, 2017 and 2016 amounted to Php 13.00 million and Php 12.20 million, respectively, which shows an increase of Php 0.80 million or 6.56%. The increase primarily came from the additional costs of inventories.

- Other current assets as of December 31, 2017 and 2016 amounted to Php 302.00 million and Php 205.50 million, respectively, which shows an increase of Php 96.50 million or 46.96%. The increase primarily came from additional advances made to suppliers and contractors; and input VAT claimed during the year.

- Non-current portion of contracts receivable as of December 31, 2017 and 2016 amounted to Php 220.98 million and Php 387.19 million, respectively, which shows a decrease of Php 166.21 million or 42.93%. The decrease came from reclassification of non-current to current contract receivables.

- Goodwill and intangible assets as of December 31, 2017 and 2016 amounted to Php 143.71 million and Php 159.33 million, respectively, which shows a decrease of Php 15.62 million or 9.80%. The decrease primarily came from the amortization of intangible assets.

- Property and equipment - net as of December 31, 2017 and 2016 amounted to Php 330.39 million and Php 393.09 million, respectively, which shows a decrease of Php 62.70 million or 15.95%. The decrease primarily came from the depreciation during the year.

- Land and land development as of December 31, 2017 and 2016 amounted to Php 578.79 million and Php 123.28 million, respectively, which shows an increase of Php 455.51 million or 369.49%. The increase primarily came from the reclassification of investment property which was sold by PHA to WPP during the year.

- Investment property as of December 31, 2017 and 2016 amounted to Php –nil- million and Php 399.95 million, respectively, which shows a decrease of Php 399.95 million or 100%. The decrease primarily came from the reclassification of investment property which was sold by PHA to WPP during the year.

- Other noncurrent assets as of December 31, 2017 and 2016 amounted to Php 187.86 million and Php 84.19 million, respectively, which shows an increase of Php 103.67 million or 123.14%. The increase primarily came from the input VAT claimed during the year.

- Trade and other payables as of December 31, 2017 and 2016 amounted to Php 907.37 million and Php 644.03 million, respectively, which shows an increase of Php 263.34 million or 40.89%. The increase primarily came from the payables made to third parties and advances during the year.

- Short-term loans as of December 31, 2017 and 2016 amounted to Php 209.10 million and Php 211.05 million, respectively, which shows a decrease of Php 1.95 million or 0.92%. There were no significant changes during the previous year.

- Income tax payable as of December 31, 2017 and 2016 amounted to Php 0.34 million and Php 0.88 million, respectively, which shows a decrease of Php 0.54 million or 61.36%. The decrease primarily came from the decreased taxable income during the year.

- Purchased land payable – current portion as of December 31, 2017 and 2016 amounted to Php 148.90 million and Php 240.37 million, respectively, which shows a decrease of Php 91.47 million or 38.05%. The decrease primarily came from the payments made during the year.

- Loans payable – current portion as of December 31, 2017 and 2016 amounted to Php 407.70 million and Php 421.27 million, respectively, which shows a decrease of Php 13.57 million or 3.22%. The decrease primarily came from higher payments made during the year.

- Obligations under finance lease – current portion as of December 31, 2017 and 2016 amounted to Php 26.12 million and Php 47.25 million, respectively, which shows a decrease of Php 21.13 million or 44.72%. The decrease primarily came from payments made during the year.

- Installment payable – current portion as of December 31, 2017 and 2016 amounted to Php –nil- million and Php 27.99 million, respectively, which shows a decrease of Php 27.99 million or 100%. The decrease primarily came from payments made during the year.

- Pension liabilities as of December 31, 2017 and 2016 amounted to Php 13.18 million and Php 19.12 million, respectively, which shows a decrease of Php 5.94 million or 31.07%. The decrease primarily came from suspension of operations of CUBES which resulted in the termination of its employees.

- Convertible loans as of December 31, 2017 and 2016 amounted to Php 522.92 million and Php 423.41 million, respectively, which shows an increase of Php 99.51 million or 23.50%. The increase primarily came from the additional convertible loans during the year.

- Purchased land payable – noncurrent portion as of December 31, 2017 and 2016 amounted to Php 20.37 million and Php 11.94 million, respectively, which shows an increase of Php 8.43 million or 70.60%. The increase primarily came from the reclassification of non-current to current.

- Loans payable – noncurrent portion as of December 31, 2017 and 2016 amounted to Php 566.76 million and Php 405.59 million, respectively, which shows an increase of Php 161.17 million or 39.74%. The increase primarily came from the additional loans during the year.

- Obligations under finance lease – noncurrent portion as of December 31, 2017 and 2016 amounted to Php 8.62 million and Php 9.84 million, respectively, which shows a decrease of Php 1.22 million or 12.40%. The decrease primarily came from the reclassification of non-current to current obligations under finance lease.

- Deferred tax liabilities as of December 31, 2017 and 2016 amounted to Php 262.98 million and Php 327.25 million, respectively, which shows a decrease of Php 64.27 million or 19.64%. The decrease primarily came from the reversal of certain deferred tax liabilities during the year.

## Item 7. Financial Statements

The Company's consolidated Financial Statements containing 119 pages are duly filed and annexed as part of this Annual Report.

## Item 8. Information on Independent Auditor and Other Related Matters

### (1) External Auditor's Fees and Services

a) Audit Fees

The Company has engaged SGV & Company as its external auditor for the last three (3) fiscal years. SGV has conducted the financial audit of the group including the parent company and its various operating subsidiaries. For this service, the total billing of SGV (VAT exclusive) were Php2,304,500, Php2,095,000.00, Php1,770,000.00 for 2019, 2018, and 2017 respectively.

b) Tax Fees

Aside from the aforementioned activities, the Company or any of its subsidiaries has not engaged SGV for any other services.

c) All Other Fees

Aside from the audit fees disclosed under letter (a) above, the Company has engaged the services of SGV for the Due Diligence Audit of Goshen Land Capital Inc. for it acquisition of 55% in the company in about April to May 2015.

### (2) Changes in and Disagreements with Independent Auditors on Accounting and Financial Disclosure

During the course of the audit, the Company and SGV did not have any material disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Officers

**(1) Directors:**

| NAME | AGE | CITIZENSHIP | POSITION HELD | TERM OF OFFICE |
|---|---|---|---|---|
| Augusto Antonio C. Serafica, Jr. | 57 | Filipino | Chairman/President & CEO | Feb 06, 2018 / Jan 01, 2015 |
| George Edwin Y. Sycip | 64 | American | Regular Director | Feb 06, 2018 -Present |
| Raul Ma. F. Anonas | 58 | Filipino | EVP/COO/Regular Director | Jan 01, 2015 / Sept 2012 - Present |
| Felipe A. Judan | 71 | Filipino | Independent Director | December 13, 2019 - Present |
| Winston A. Chan | 64 | Filipino | Regular Director | Feb 06, 2018 -Present |
| Ramon A. Recto | 87 | Filipino | Regular Director | December 2012 - Present |
| Victor Y. Lim, Jr. | 74 | Filipino | Regular Director | July 28, 2015 - Present |
| Danilo A. Antonio | 65 | Filipino | Regular Director | December 13, 2019 - Present |
| Ramon G. Santos | 70 | Filipino | Independent Director | Feb 06, 2018 -Present |

**Mr. Augusto Antonio C. Serafica, Jr. (Chairman/President & CEO, Director)**

Mr. Serafica (age 58) was elected as a Regular Director during the Board meeting on May 2010 and became Chairman in February 06, 2018. Mr. Serafica is also the current Managing Director of Asian Alliance Investment Corporation and Asian Alliance Holdings & Development Corporation. He is also a Regular Director of Marventures Holdings Inc. and Bright Kindle Resources Inc. Mr. Serafica is a veteran investment banker with expertise in mergers and acquisitions, fundraising and placement and business development. Industries that he is quite versed with are mining, real estate and technology. Mr. Serafica is also the past Chairman of the AIM Alumni Association and is the current National Treasurer of the Brotherhood of Christian Businessmen & Professionals. A CPA, Mr. Serafica earned his BA in Accountancy in San Beda College and acquired his MA in Business Management from the Asian Institute of Management.

**Mr. George Y. Sycip (Regular Director)**

Mr. SyCip (age 64) was elected as Regular Director on February 06, 2018. Mr. SyCip is the President of Halanna Management Corporation and a Founder and Principal in Galaxaco China Group LLC. Mr SyCip advises a variety of companies in their cross-border endeavors between the US, Europe, Asia and Africa. Mr. SyCip had a career in banking, including serving as Chief Financial Officer of United Savings Bank, a leading provider of banking services to California's Asian communities and a major originator of home mortgages in the State during the 1980s. He now sits on several corporate boards including Alliance Select Foods International, Inc., Asian Alliance Investment Corporation, Beneficial Life Insurance Company, Bank of the Orient, and Paxys, Inc. He is also an Advisor to the Board of Cityland Development Corporation. Mr. SyCip currently serves as a Trustee or Director of several nonprofit organizations, including the

International Institute of Rural Reconstruction, Give2Asia, Global Heritage Fund, and the California Asia Business Council. Mr SyCip received his A.B. in International Relations/Economics 'With Distinction' from Stanford University and his M.B.A. from Harvard Graduate School of Business Administration.

**Mr. Raul F. Anonas (Executive Vice President & Chief Operating Officer, Director)**

Mr. Anonas (age 58) was elected as Regular Director of Premiere Horizon in September 2012. Mr. Anonas is the Chairman of Rosabaya Distributors Inc. and Humabon Distributors. He is also the Vice Chairman of First Ardent Property Development Corporation and President & CEO of Rajawali Resources and Holdings Inc. Mr. Anonas is a corporate finance veteran with expertise in investment banking, mergers & acquisitions and project financing. He also has extensive experience as an entrepreneur and has successfully managed start-up companies. Mr. Anonas holds a B.S. Management Degree from the Ateneo de Manila University and an MBA in Finance from Fordham University.

**Mr. Felipe Judan (Independent Director)**

Mr. Felipe "Philip" Judan (age 71) became a Regular Director of Premiere Horizon Alliance Corporation on December 2019. Mr. Judan brings with him decades of experience and expertise in the logistics and shipping industry. He served as an Undersecretary of Maritime Affairs at the Department of Transportation from 2016 to 2018. He had direct oversight of: Maritime Industry Authority (Marina), Philippine Coast Guard (PCG), Philippine Ports Authority (PPA), Cebu Ports Authority (CPA), and Philippine Merchant Marine Academy (PMMA). He was also the COO and Director of Southwest Maritime Group of Companies from 1993 to 2016. He was President of the various subsidiaries like Southwest Tankers, Inc., Southwest Gas Corporation, SW United Professional Services, Inc to name a few. He was also the President of the National Shipping Corporation of the Philippines (NSCP) from 1987 to 1994. He was Chairman of Interpacific Shipping Corporation, a shipping agency subsidiary of NSCP based in California USA. He was also a former director of Philippine National Construction Corporation and National Trucking & Forwarding Corporation. Sportswise, Mr. Judan has been the President of the Federation of Philippine Amateur Senior Golfers Association, Inc. (FPASGI) and the Confederation of ASEAN Senior Golfers Associations (CASGA). Mr. Judan was born and raised in Muñoz, Nueva Ecija. He graduated "Cum Laude" with a BSBA Degree from the University of the East in 1968. As a Certified Public Accountant, he worked with SGV and was sent as a Scholar to the Asian Institute of Management for his Masters in Business Management Degree.

**Mr. Ramon G. Santos (Independent Director)**

Mr. Ramon G. Santos (age 70) was elected as Independent Director on February 06, 2018. Mr. Santos served in the Philippine Army for 33 years and retired with a rank of Brigadier General in 2005. He was appointed as Undersecretary in October 2005 with the Office of Presidential Adviser for the Peace Process (OPAPP). Mr. Santos is a Professorial Lecturer at the Institute of Graduate Studies of the Philippine State College of Aeronautics. He is currently working as Senior Technical Consultant at the OPAPP. Mr. Santos is currently the President of Green Power Panay Inc., CEO of Tirad Pass Consulting, Director of the Education and Training Committee of One Eye Security Consultancy and Senior Vice President of the Professional Training Institute of Kali, Inc. Mr. Santos has a PhD and Masters in Development Administration from the Philippine Christian University. He also finished his Master in Strategic Studies at the US Army War College in the USA.

**Mr. Victor Y. Lim, Jr. (Regular Director)**

Mr. Lim (age 74) was elected as Regular Director on July 28, 2015. He is currently the Chairman of V2S Property Developers,Inc., President of Yuchengco Lim Development Corporation, Chairman of National Affairs Committee of the Financial Executives Institute of the Philippines (FINEX), Trustee of the Ateneo Scholarships Foundation, Secretary of the International Association of the Financial Executives Istitute, Director of the Ateneo Alumni Association and member of the Management Association of the Philippines. Mr. Lim holds a Bachelor of Science in Economics degree from the Ateneo de Manila University and a Masters in Business Management degree from the Asian Institute of Management.

**Ramon A. Recto (Regular Director)**

Mr. Recto (age 87) was elected as Regular Director last December 18, 2012. He is the Chairman & President of C.M.E. Technology Philippines, Inc., Director of Crown Equities, Inc. and was President of Marcventures Holdings, Inc. He has been involved in several business entities largely in the field of mining and exploration of iron, copper, gold and other minerals. A graduate of Master of Industrial Management and a holder of Bachelor of Science in Mechanical Engineering and Electrical Engineering at the University of the Philippines.

**Mr. Winston A. Chan (Regular Director)**

Mr. Chan (age 64) was elected as Regular Director on February 06, 2018. He is a retired partner of SGV/EY and former managing partner of SGV/EY Advisory Service Line. Mr. Chan has more than 28 years of management consulting experience. Mr. Chan is a Certified Information Systems Manager (CISM), a Certified Information Systems Auditor (CISA), and a Certified Public Accountant (CPA). He is a member of the Management Association of the Philippines (MAP), and the board of directors of the Harvard Club of the Philippines (HCP). He is the chairman of the ICT committee of the SGV Foundation. Mr. Chan completed the Advanced Management Program (AMP) at the Harvard Business School in Boston, MA, The Advanced Business Strategy Course at INSEAD Singapore, and the Management Development Program at the Asian Institute of Management (AIM). He has also attended numerous training programs of Andersen Continuing Education Center in St. Charles, Illinois, both as participant and faculty. He obtained his Bachelor of Science Degree in Accountancy at Colegio de San Juan de Letran.

**Mr. Danilo A. Antonio (Regular Director)**

Mr. Danilo Antonio (age 65) became a Regular Director of Premiere Horizon Alliance Corporation on December 2019. Mr. Antonio brings to PHA more than three decades of high-level experience in property development, encompassing all types of land uses and all major project phases. He is the co-founder of The Land Company (LANDCO), the Punta Fuego developer. Mr. Antonio was also an executive of the Ayala Land. He was a director of Bonifacio Land, COO of Eton Properties Philippines, Managing Director of Filinvest Festival Mall, General Manager of SM Cinemas and Business Development Adviser of Rockwell Land. He was also Board Chairman of Canyon Woods and Director of Punta Fuego Beach Resort. Mr. Antonio is also an educator and a public servant. He was appointed as Undersecretary of OPARR (Office of the Presidential Assistant for Rehabilitation and Recovery) in December 2013 and led the fund raising of Php28 billion worth of rehabilitation assistance for the Yolanda victims. Mr. Antonio is a director of Asian Center for Entrepreneurship (ACE) as a Guru in the Master in Entrepreneurship Program, now under the Ateneo Graduate School of Business. He was also a faculty of the Asian Institute of Management in the Real Property Management and Development (RPDM) of its MBA Program.Mr. Antonio has earned his Bachelor of Arts degree in Economics (Summa Cum Laude) from De La Salle University and Master in Business Management degree (with Distinction) from the Asian Institute of Management.

**Key Corporate Officers**

**Atty. Roberto San Jose (Corporate Secretary)**

Atty. San Jose has been the Corporate Secretary of the Company since 1996. He is a member of the Philippine Bar and is a Partner of the Castillo Laman Tan Pantaleon and San Jose Law Offices. He is Chairman and Director of Mabuhay Holdings Corp., and Director and/or Corporate Secretary of CP Group of Companies, CP Equities Corp., Atlas Resources Management Group and MAA Consultants, Inc. He is also currently the Corporate Secretary of Alsons Consolidated Resources, Inc., Solid Group, Inc., Philweb Corporation, FMF Development Corp. and Anglo Philippines Holdings Corp. Atty. San Jose holds a Law Degree from the University of the Philippines.

**Atty. Ana Maria Katigbak- Lim** (Asst. Corporate Secretary)

Atty. Katigbak assumed the position of Asst. Corporate Secretary since 1997. A member of the Integrated Bar of the Philippines and a graduate of Bachelor of Laws and Bachelor of Arts in Comparative Literature (Cum Laude) at the University of the Philippines, she is currently a partner at the Castillo Laman Tan Pantaleon San Jose Law Offices. She is also a Director or Officer of publicly-listed companies and registered membership clubs such as: Boulevard Holdings, Inc., Mabuhay Holdings, Inc., Solid Group, Inc., The Metropolitan Club, Inc., AJO.net Holdings, Inc. and PhilWeb Corporation.

**Atty. Stephen E. Cascolan** (Asst. Corporate Secretary)

Atty. Cascolan assumed the position of asst. Corporate Secretary last 2013. A member of the Integrated Bar of the Philippines and a graduate of Bachelor of Arts in Philippine

Studies, Major in Journalism and Creative Writing at the University of the Philippines, he is currently a managing partner at the Benipayo and Partners Law Firm.

### (2) EXECUTIVE OFFICERS and SIGNIFICANT EMPLOYEES

The officers of the company are as follows:

1. Augusto Antonio C. Serafica, Jr. - Chairman/President & CEO
2. Raul Ma. F. Anonas - Executive Vice President & COO
3. Ricardo S. Consunji III - Senior Vice President - Operations
4. Andres A. del Rosario - Senior Vice President & Treasurer
5. Manolo B. Tuason - Senior Vice President & CFO
6. Stephen E. Cascolan - Vice President & Chief Legal Officer
7. Ana Liza G. Aquino - First Vice President
8. Joseph Jeeben R. Segui - First Vice President
9. Paolo Antonio A. Martinez - Assistant Vice President

### (3) Family Relationship

There is no family relationship up to the fourth civil degree either by consanguinity or affinity among directors, executive officers or persons nominated or chosen to become directors or executive officers of the Company.

### (4) Involvement in Certain Legal Proceedings

The Company is not aware of: (1) any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, executive officer, promoter, or control person of the Company was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior that time; (2) any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other offenses of any director, person nominated to become a director, executive officer, promoter, or control person; (3) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement in any type of business, securities, commodities or banking activities a director, person nominated to become a director, executive officer, promoter or control person of the Company; and (4) judgment against a director, person nominated to become a director, executive officer, promoter, or control person of the Company found by a domestic or foreign court of competent jurisdiction (in civil action), the Philippine Securities and Exchange Commission (SEC) or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

## Item 10. Executive Compensation

The following table is a summary of all plan and non-plan compensation awarded to, earned by, paid to, or estimated to be paid to, directly or indirectly, the Chief Executive Officer ("CEO"), the three (3) most highly compensated executive officers other than the CEO who served as executive officers, and all officers and directors as a Group as of 31 December 2019 (including the preceding two fiscal years, and current fiscal year – estimated only):

| Name / Position | Year | Salary, Bonus, and others |
|---|---|---|
| Augusto C. Serafica<br>President & CEO | 2019<br>2018<br>2017 | 4,810,000<br>4,810,000<br>4,810,000 |
| Raul Ma. F Anonas<br>EVP & COO | 2019<br>2018<br>2017 | 3,510,000<br>3,510,000<br>3,510,000 |
| Ricardo Consunji<br>SVP Operations | 2019<br>2018<br>2017 | 3,822,000<br>3,822,000<br>3,822,000 |
| Manolo B Tuason<br>SVP & CFO | 2019<br>2018<br>2017 | 2,600,000<br>2,470,000<br>2,470,000 |
| Andres A. Del Rosario<br>SVP & Treasurer | 2019<br>2018<br>2017 | 2,600,000<br>2,470,000<br>2,470,000 |
| Executive Officers<br>(Aggregate Amount) | 2019<br>2018<br>2017 | 3,510,000<br>3,630,000<br>5,200,000 |
| Directors | 2019<br>2018<br>2017 | 442,745<br>526,000<br>526,000 |

**Item 11. Security Ownership of Certain Beneficial Owners and Management**

**(2) Security Ownership of Management**

The following are the security ownership of the directors and executive officers of the Corporation as of 31 December 2019:

| Title of Class | Name of Beneficial Owner; Relationship with Issuer | Amount and Nature of Beneficial Ownership (direct & indirect) | Citizenship | No. of shares held | Percentage held |
|---|---|---|---|---|---|
| Common | Augusto Antonio C. Serafica, Jr.,<br>*Chairman / President & CEO* | 72,500,001 (D)<br>44,070,000(I) | Filipino | 116,570,001 | 5.86% |
| Common | George Y. Sycip<br>Director | 2,010,000 (D) | Filipino | 2,010,000 | 0.10% |
| Common | Ramon A. Recto<br>*Director* | 1(D) | Filipino | 1 | 0.00% |
| Common | Winston A. Chan<br>*Director* | 2,500 (D) | Filipino | 2,500 | 0.00% |

| | | | | | |
|---|---|---|---|---|---|
| Common | Victor Y. Lim, Jr. *Director* | 83,000 (D) | Filipino | 83,000 | 0.00% |
| Common | Raul Ma. F. Anonas, *Director* | 1(D) 21,250,000(D) | Filipino | 21,250,001 | 1.07% |
| Common | Danilo A. Antonio *Director* | 10,000 (D) | Filipino | 10,000 | 0.00% |
| Common | Felipe A. Judan *Independent Director* | 10,000 (D) | Filipino | 10,000 | 0.00% |
| Common | Ramon G. Santos *Independent Director* | 2,500 (D) | Filipino | 2,500 | 0.00% |

**(3) Voting trust Holders of 5% or More**

There are no persons holding five percent (5%) or more of a class under a voting trust or similar arrangement.

**(4) Changes in Control**

On March 15, 2012, and January 2013, DSI was able to sell 15 million shares to third parties. Gain on said sale of shares was recorded at Php1.2 million in 2012.

**Item 12. Certain Relationships and Related Transactions**

In the ordinary course of business, the Company has transactions with associates, affiliates, subsidiaries and other related parties consisting principally of cash advances and reimbursement of expenses, various guarantees, management and service agreements and intercompany charges.

On December 15, 2011, the board of directors approved a resolution allowing three regular directors to subscribe to one hundred seventy five million unissued shares of the Company a subscription price P0.05 above par or at P0.30 per share.

On February 24, 2012, the Board of Directors approved a fund raising program via Convertible Loan amounting to Php 100.0 million at 8% interest with a term of three (3) years. Lender shall have the option to convert at Php 0.36/share with a detachable warrant of one (1) share for every four (4) Converted Share at an exercise price of Php 0.38/share. By end of 2012, total Convertible Loan outstanding amounted to Php 78.0 million. The fund raising program was to support the E-Games expansion among others.

Aside from the foregoing, there had been no material transaction during the past two (2) years involving the Company or any of its subsidiaries in which a director, executive officer or stockholder owning ten percent (10%) or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

## PART IV. CORPORATE GOVERNANCE

**Item 13 –** The Integrated Annual Corporate Governance Report (I-ACGR) was filed on July 29, 2020.

## PART V – EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits: Exhibit A. 2019 Consolidated Audited Financial Statements

(b) Reports on SEC Form 17-C,
The Company filed reports with the following dates under SEC Form 17-C within the calendar year ending December 31, 2019.

| | |
|---|---|
| January 19, 2019 | Premiere Horizon and Sama Global Investment signs Memorandum of Agreement for a funding facility of 250 Million Euros (PHP 15.0 Billion) |
| April 2, 2019 | Update on the Memorandum of Agreement between Premiere Horizon Alliance Corporation and Sama Global Investment |
| May 6, 2019 | Postponement of Annual Stockholders' Meeting of Premiere Horizon Alliance Corporation |
| August 8, 2019 | Notice of Annual or Special Stockholders' Meeting |
| October 24, 2019 | Results of Annual or Special Stockholders' Meeting |
| October 24, 2019 | Results of organizational Meeting of the Board of Directors |
| December 13, 2019 | Update on the Memorandum of Agreement between Premiere Horizon Alliance Corporation and Sama Global Investment |
| December 13, 2019 | Resignation and Election of New Directors and Change in Committee Memberships |

Pursuant to the requirements Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by issuer by undersigned duly authorized, in the City of PASIG CITY Metro Manila on________________.

By:

AUGUSTO ANTONIO C. SERAFICA
Chairman / President & CEO

MANOLO B. TUASON
Senior Vice President & Chief Finance Officer

ANDRES A. DEL ROSARIO
Senior Vice President & Treasurer

PAOLO ANTONIO A. MARTINEZ
Assistant Vice President / Financial Controller

**SUBSCRIBED AND SWORN** to before me this JUL 30 2020 affiants exhibiting to me their competent evidence identity as follows:

| NAME/NO. | ID NO. | DATE & PLACE OF ISSUE |
| --- | --- | --- |
| AUGUSTO ANTONIO C. SERAFICA, JR. | Passport No. P2246276A | 11 March 2017 / DFA, MANILA |
| MANOLO B. TUASON | Passport No. P2598621A | 04 APRIL 2017 / DFA, P. PRINCESA |
| ANDRES A. DEL ROSARIO | Passport No. EC6607638 | 25 JANUARY 2016 / DFA, MANILA |
| PAOLO ANTONIO A. MARTINEZ | Passport No. P5026773A | 10 NOVEMBER 2017 / DFA, MANILA |

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EDWIN G. CONDAYA
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UNTIL DEC. 31, 2020
PTR NO. 6423914/1-2-20
IBP NO. 056031/APPT. NO. 5412019-20
ROLL NO. 26683
TIN NO. 210-588-191-000
MCLE V- 0004493
2ND FLOOR ARMAL BLDG. URBANO
VELASCO AVE. MALINAO, PASIG CITY

# PREMIERE HORIZON ALLIANCE CORPORATION

2019 Sustainability Report in compliance with the SEC Sustainability Reporting Guidelines for Publicly Listed Companies

## Contextual Information

| Company Details | |
|---|---|
| Name of Organization | Premiere Horizon Alliance Corporation ("PHA") |
| Location of Headquarters | 1705 East Tower Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City |
| Location of Operations | PHA and its subsidiaries conduct businesses in the Philippines particularly in Metro Manila, Baguio City and Dinagat Islands. |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report* | This report covers PHA and its operating subsidiaries, Goshen Land Capital, Inc. ("GLCI") and Premiere Georesources and Development Inc. ("PGDI"). The other subsidiaries, namely, (i) West Palawan Premiere Development Corp, (ii) Concepts Unplugged Business Environment Solutions ("CUBES"), Inc. (iii) Treasure Cove at Nagtabon Beach, Inc. ("TCNBI"), (iv) Pyramid Hill Mining & Industrial Corp. ("PHMIC"), (v) Palawan Star Mining Ventures, Inc. (vi) Premiere Horizon Business Services, Inc. ("PHBSI"), (vii) PH Mining and Development Corporation ("PHMDC"), (viii) PH Agriforest Corporation ("PHAC"), (ix) PH Big Bounty Entertainment, Inc. ("PBBEI"); and (x) Digiwave Solutions Incorporated ("DSI") do not have commercial operations at this point. Hence, they were not included in this report except for the consolidated figures presented in the direct economic value generated and distributed. Data from GLCI and PGDI for the calendar year 2019 are consolidated where they are applicable and available. Data collection have been limited. Hence, the boundaries are further specified per disclosure. |
| Business Model, including Primary Activities, Brands, Products, and Services | PHA operates as a holding company with business interest in corporate finance, real estate development and mining. |
| Reporting Period | January 1, 2019 to December 31, 2019 |
| Highest Ranking Person responsible for this report | Raul Ma. F. Anonas<br>Corporate Information and Compliance Officer<br><br>Ana Liza G. Aquino<br>Investor Relations |

## Materiality Process

| Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. |
|---|

The company conducted focused group discussions in order to assess the materiality process in determining the scope and the coverage in this Sustainability Report.

**Stakeholder Engagement**

The composition of the group includes capable and qualified members from the different companies including other stakeholders as consultants. The objective is to identify the important aspects of PHA, GLCI and PGDI (collectively referred to as the "Group") aspects of the Group's operations that have the most impact to its economic, social and environmental performances. Since this is the first Sustainability Report for the Group, some information and measurements are still being acquired and developed and are not yet available for this year's report. This will be improved and updated in the succeeding reports.

**Report Boundary**

The boundary of the report is limited to the Group due to the fact that the other subsidiaries are not yet operational or have stopped operations as of reporting date. The members identified the key areas that are materially relevant for the Group to achieve sustainable operations in the long term.

To engage the Group's external stakeholders, Corporate Affairs works hand in hand with ~~Investor Relations to capture~~ investor expectations around sustainability.

**Process Prioritization**

The Group started collating baseline information for the calendar year 2019 as basis for measuring performance on each of the materiality topics identified. The GRI Reporting Standards and the SEC Guidelines were closely followed by the Group. Current management approaches of the Group, from operational targets to corporate policies were captured in order for the Group to improve the performance in these areas.

Analysis of data gaps of each material topic was also done. The objective is for the Group to closely monitor the non-financial performance in order to improve these in the future and do a focused target setting for all identified priority areas for this year and the coming years.

## ECONOMIC

### Economic Performance

Direct Economic Value Generated and Distributed

| Disclosure | Amount | Units |
|---|---|---|
| Direct economic value generated (revenue) | 423,656,077 | PhP |
| Direct economic value distributed: | | |
| a. Operating costs | 560,490,598 | PhP |
| b. Employee wages and benefits | 122,942,226 | PhP |
| c. Payments to suppliers, other operating costs | 437,548,372 | Php |
| d. Dividends given to stockholders and interest payments to loan providers | 324,728,473 | PhP |
| e. Taxes given to government | 25,397,567 | PhP |
| f. Investments to community (e.g. donations, CSR) | - | PhP |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *The direct impact is through the Group's Sales and Operations. The Group's revenue is distributed through payment to contractors, suppliers, salaries and wages and benefits to employees and taxes due to the government.* | *Employees, suppliers and government* | *The Group has adopted the following priority approach:*<br>*1) Identify long-term growth targets of the Group in order to reach the yearly targets*<br>*2) Develop and review on a regular basis the policies and actions to meet the targets*<br>*3) Continuously identify and quantify all risks related to the policies and actions*<br>*4) Regularly track results against targets and constantly improve projected results.* |
| *The direct economic value is distributed to the community through increase in spending capability of suppliers and employees receiving economic value from the companies which value flows back to the society.* | *Community, government* | *The Group will continue to develop community focused residential projects and provide employment and revenues to the local community and nearby communities. The Group also continue to support the community through donations and CSR activities.* |

| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Risks identified are changes in government policies, laws, rules and regulations especially on the local level. These changes can affect the Group's business operations especially as it relates to the Group's real estate and mining operations which are very much dependent these policies.* | Customers, Suppliers, Creditors, Employees, Government | The Group make sure that compliance with these government regulations and policies is a top priority and that everyone will always be aware and informed of any changes. The Group is constantly apprised of any changes and will always take this into consideration in future plans and actions. |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *There are also corresponding changes in government policies that present opportunities for the Group's businesses such as incentives on mass housing projects that can generate a sustainable rate of growth and potential expansion of operations.* | Customers, Suppliers, Creditors, Employees, Shareholders, Government | The Group is currently studying and developing a comprehensive strategic approach to maximize these opportunities and minimize the risks identified. Review of non-financial aspects and continuous improvement in the approach and mitigation is being done. |

## Climate-related risks and opportunities

| Governance | Strategy | Risk Management | Metrics and Targets |
|---|---|---|---|
| *Disclose the organization's governance around climate-related risks and opportunities*<br><br>PHA's Board of Directors currently do not have specified roles and functions as it relates to climate-related risks. But the Group is working on adopting a policy that will include a committee with roles and responsibilities for the Board of Directors to oversee climate-related risks. | *Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material*<br><br>Climate-related risks impacts on the Group's operations as it relates to the length and depth of rainy days. Too much rain impacts the continuous operations in mining and construction, limiting operational days. | *Disclose how the organization identifies, assesses, and manages climate-related risks*<br><br>Climate-related risks are assessed early on based on previous year's experience. Provisions are made to advance work volume during the dry season to mitigate effects of the rainy season. | *Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material*<br><br>The Group is still in the process of putting together metrics and targets are it relates to climate-related risks and opportunities. |

| Recommended Disclosures | | | |
|---|---|---|---|
| a) Describe the board's oversight of climate-related risks and opportunities<br><br>The Group currently has no formal process in identifying and assessing climate-related risks. But the Group is working on formulating a formal process to identify and assess these climate-related risks including coming up with corresponding metrics and targets for reduction and mitigation. | a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term<br><br>The Group is working on formulating a formal process to identify and assess these climate-related risks including coming up with corresponding metrics and targets for reduction and mitigation. | a) Describe the organization's processes for identifying and assessing climate- related risks<br><br>The Group currently has no formal process in identifying and assessing climate-related risks. But the Group is working on formulating a formal process to identify and assess these climate-related risks. | a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process<br><br>The Group is working on formulating a formal process to identify and assess these climate-related risks including coming up with corresponding metrics and targets for reduction and mitigation. |
| b) Describe management's role in assessing and managing climate related risks and opportunities<br><br>The Group currently has no formal process in identifying and assessing climate-related risks. But the Group is working on formulating a formal process to identify and assess these climate-related risks including coming up with corresponding metrics and targets for reduction and mitigation. | b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.<br><br>The Group currently has no formal process in identifying and assessing climate-related risks. But the Group is working on formulating a formal process to identify and assess these climate-related risks including coming up with corresponding metrics and targets for reduction and mitigation. | b) Describe the organization's processes for managing climate -related risks<br><br>The Group currently has no formal process in identifying and assessing climate-related risks. But the Group is working on formulating a formal process to identify and assess these climate-related risks including coming up with corresponding metrics and targets for reduction and mitigation. | b) Describe the targets used by the organization to manage climate related risk and opportunities and performance against targets<br><br>The Group is working on formulating a formal process to identify and assess these climate-related risks including coming up with corresponding metrics and targets for reduction and mitigation. |

| | | | |
|---|---|---|---|
| | c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario<br><br>The Group currently has no formal process in identifying and assessing climate-related risks. But the Group is working on formulating a formal process to identify and assess these climate-related risks including coming up with corresponding metrics and targets for reduction and mitigation. | c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management<br><br>The Group currently has no formal process in identifying and assessing climate-related risks. But the Group is working on formulating a formal process to identify and assess these climate-related risks including coming up with corresponding metrics and targets for reduction and mitigation. | |

## Procurement Practices

Proportion of spending on local suppliers

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers | 85% | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Impact is on primary business operations of GLCI and PGDI. Procurement is done mostly from local communities and suppliers.* | *Suppliers, contractors, service providers* | *Management approach used by the Group is the accepted ethical business practices as it applies to procurement of supplies and materials.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Insufficient volume from local suppliers, poor quality and delays in delivery.* | *Suppliers, contractors, service providers* | *Established management controls as it relates to the procurement process and constant monitoring.* |

| | | |
|---|---|---|
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Cheaper products which lead to lower costs in procurement since local suppliers will have a cheaper delivery/transportation charges.* | *Suppliers, contractors, service providers, ShareholdersS* | *Established management controls as it relates to the procurement process and constant monitoring* |

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to | 30% | % |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | 30% | % |
| Percentage of directors and management that have received anti-corruption training | 50% | % |
| Percentage of employees that have received anti-corruption Training | 30% | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Anti-corruption policies and procedure have a direct impact in the Group's operations as it relates to the supply chain. The Group makes sure that all employees and partners follow ethical business practices and ensure that corruption is prevented from occurring.* | *Employees, Suppliers, Service Providers, Government* | *The Group ensures adherence to ethical business practices and compliance to all applicable laws, rules and regulations in order to prevent corruption and bribery from occurring in the Group's business operations.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *All potential corruption incidence will affect the Group's business reputation and can potentially increase operational costs. This can lead to lower share price as investors will shy away from the stock.* | *Employees, Suppliers, Service Providers, Government, Shareholders* | As specified in the Group's Manual on Corporate Governance, corruption, dishonesty and other unlawful behavior are not condoned by the Group. The Group is strict in all directors, management and employees compliance to the Code of Conduct. |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Opportunities identified are improvement of the Group's current process and policies which can lead to better reputational image for the Group.* | *Employees, Suppliers, Service Providers, Government, Shareholders* | The Group will continue to work on improving the current anti-corruption policies and procedures especially as it relates to the procurement process. |

## Incidents of Corruption

| Disclosure | Quantity | Units |
|---|---|---|
| Number of incidents in which directors were removed or disciplined for corruption | 0 | # |
| Number of incidents in which employees were dismissed or disciplined for corruption | 0 | # |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| Any incidence of corruption can compromise the Group's business reputation and materially affect its operations especially in the workplace. | *Employees, Suppliers, Service Providers, Government, Shareholders* | *The Group ensures adherence to ethical business practices and compliance to all applicable laws, rules and regulations in order to prevent* |

| | | |
|---|---|---|
| | | *corruption and bribery from occurring in the Group's business operations.* |

| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
|---|---|---|
| Any incidence of corruption can compromise the Group's business reputation and materially affect its operations especially in the workplace | *Employees, Suppliers, Service Providers, Government, Shareholders* | *The Group ensures adherence to ethical business practices and compliance to all applicable laws, rules and regulations in order to prevent corruption and bribery from occurring in the Group's business operations.* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Opportunities for improvement of the Group's policies and processes as it relates to anti-corruption practices.* | *Employees, Suppliers, Service Providers, Government, Shareholders* | *The Group ensures adherence to ethical business practices and compliance to all applicable laws, rules and regulations in order to prevent corruption and bribery from occurring in the Group's business operations* |

# ENVIRONMENT

## Resource Management

Energy consumption within the organization:

| Disclosure | Quantity | Units |
|---|---|---|
| Energy consumption (renewable sources) | 0 | GJ |
| Energy consumption (gasoline) | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | GJ |
| Energy consumption (LPG) | 0 | GJ |
| Energy consumption (diesel) | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | GJ |
| Energy consumption (electricity) | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kWh |

Reduction of energy consumption

| Disclosure | Quantity | Units |
|---|---|---|
| Energy reduction (gasoline) | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | GJ |
| Energy reduction (LPG) | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | GJ |
| Energy reduction (diesel) | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | GJ |
| Energy reduction (electricity) | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kWh |
| Energy reduction (gasoline) | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | GJ |

| What is the impact and where does it occur? What is the organization’s involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Consumption and use of electricity, gasoline, LPG and diesel has a direct impact on the environment as it relates to greenhouse CO2 emissions and corresponding air pollutants.* | *Community, employees, suppliers, shareholders, government* | *The Group is formulating and will be closely monitoring its energy usage and will ensure that the business operations will focus on energy efficient measures.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Continuous high usage of these non-renewable energy sources poses risk on the environment and the Group’s business operations as it relates to the costs of energy prices.* | *Community, employees, suppliers, shareholders, government* | *The Group is formulating and will be closely monitoring its energy usage and will ensure that the business operations will focus on energy efficient measures.* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Review of the Group’s energy efficiency will lead to potential identification of other energy sources and plans to transition to renewable energy for long term sustainability.* | *Community, employees, suppliers, shareholders, government* | *The Group will work on reviewing and identifying renewable energy alternatives for its current operations.* |

## Water consumption within the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Water withdrawal | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | Cubic meters |
| Water consumption | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | Cubic meters |
| Water recycled and reused | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | Cubic meters |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *The Group's water consumption directly impacts the water supply of the locales and communities where the Group operates. Water conservation is highly important in its environmental impact on the community and the ecosystem. The Group will ensure that water conservation measures are in place in all its operations.* | *Community, employees, suppliers, shareholders, government* | *Water conservation is highly important in its environmental impact on the community and the ecosystem. The Group will ensure that water conservation measures are in place in all its operations. Policies and procedures will be put in place to assure compliance.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Risks posed are water shortage which can impact continuous operations and potentially increase operational costs.* | *Community, employees, suppliers, shareholders, government* | *Water conservation is highly important in its environmental impact on the community and the ecosystem. The Group will ensure that water conservation measures are in place in all its operations. Policies and procedures will be put in place to assure compliance.* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Opportunities identified are review and improvement of current water consumption, waste water management and other environmental conservation measures. These, when properly implemented, can lead to lower environmental footprint and potential lower costs for the Group.* | *Community, employees, suppliers, shareholders, government* | *Water conservation is highly important in its environmental impact on the community and the ecosystem. The Group will ensure that water conservation measures are in place in all its operations. Policies and procedures will be put in place to assure compliance.* |

## Materials used by the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Materials used by weight or volume | | |
| renewable | 0 | kg/liters |

| | | |
|---|---|---|
| non-renewable | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kg/liters |
| Percentage of recycled input materials used to manufacture the organization's primary products and services | 0 | % |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Which stakeholders are affected?** | **Management Approach** |
|---|---|---|
| *The Group is currently not engaged in any manufacturing activities that use any substantial material.* | *Community, employees, suppliers, shareholders, government* | *The Group is working on reducing its reliance on physical documents in order to reduce paper usage. The Group is also looking into using recyclable and biodegradable materials in its everyday office operations.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *The Group is currently not engaged in any manufacturing activities.* | *Community, employees, suppliers, shareholders, government* | *The Group is working on reducing its reliance on physical documents in order to reduce paper usage. The Group is also looking into using recyclable and biodegradable materials in its everyday office operations.* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *The Group is currently not engaged in any manufacturing activities.* | *Community, employees, suppliers, shareholders, government* | *The Group is working on reducing its reliance on physical documents in order to reduce paper usage. The Group is also looking into using recyclable and biodegradable materials in its everyday office operations.* |

## Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

| Disclosure | Quantity | Units |
|---|---|---|
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | None | |
| Habitats protected or restored | None | ha |
| IUCN[17] Red List species and national conservation list species with habitats in areas affected by operations | None | |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Not Applicable* | *Not Applicable* | *Not Applicable* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Not Applicable* | *Not Applicable* | *Not Applicable* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Not Applicable* | *Not Applicable* | *Not Applicable* |

[17] International Union for Conservation of Nature

## Environmental impact management

### Air Emissions

*GHG*

| Disclosure | Quantity | Units |
|---|---|---|
| Direct (Scope 1) GHG Emissions | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | Tonnes $CO_2e$ |
| Energy indirect (Scope 2) GHG Emissions | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | Tonnes $CO_2e$ |
| Emissions of ozone-depleting substances (ODS) | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | Tonnes |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Not Applicable* | *Not Applicable* | *Not Applicable* |

| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Not Applicable* | *Not Applicable* | *Not Applicable* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Not Applicable* | *Not Applicable* | *Not Applicable* |

*Air pollutants*

| Disclosure | Quantity | Units |
|---|---|---|
| $NO_x$ | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kg |
| $SO_x$ | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kg |
| Persistent organic pollutants (POPs) | No sufficient data can be | kg |

| | | |
|---|---|---|
| | provided at this point but the Group is working on gathering the information for future reports. | |
| Volatile organic compounds (VOCs) | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kg |
| Hazardous air pollutants (HAPs) | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kg |
| Particulate matter (PM) | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kg |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Which stakeholders are affected?** | **Management Approach** |
|---|---|---|
| *The Group's business operations have negligible contribution to air pollutants. But the Group recognize the fact that air pollution can affect the health of the community and its employees.* | *Employees, Community, Shareholders* | *The Group ensures that all its operations are in compliance to the standards mandated by the Clean Air Act. Regular maintenance is done to all the Groups machineries and vehicles to ensure reduction and mitigation of air pollutants.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *The Group recognize the fact that air pollution can affect the health of the community and its employees* | *Employees, Community, Shareholders* | *The Group ensures that all its operations are in compliance to the standards mandated by the Clean Air Act. Regular maintenance is done to all the Groups machineries and vehicles to ensure reduction and mitigation of air pollutants.* |

| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
|---|---|---|
| *The Group is working on improving its processes and policies and ensure that better technology and* | *Employees, Community, Shareholders* | *The Group ensures that all its operations are in compliance to the standards mandated by the* |

| | | |
|---|---|---|
| *materials are used to reduce any potential harm to the environment as it relates to air pollution.* | | *Clean Air Act. Regular maintenance is done to all the Groups machineries and vehicles to ensure reduction and mitigation of air pollutants.* |

## Solid and Hazardous Wastes

*Solid Waste*

| Disclosure | Quantity | Units |
|---|---|---|
| Total solid waste generated | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kg |
| Reusable | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kg |
| Recyclable | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kg |
| Composted | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kg |
| Incinerated | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kg |
| Residuals/Landfilled | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *The Group makes sure that all wastes generated by the operations of each company are disposed of properly and following standard environmental practice. Any deviation can result in regulatory sanctions which may lead to operations halt.* | *Employees, Community, Suppliers, Government, Shareholders* | *The Group ensures that proper waste management and disposal are followed according to environmental and regulatory standards.* |
| **What are the Risk/s Identified?** | **Which stakeholders are** | **Management Approach** |

| | affected? | |
|---|---|---|
| *The Group makes sure that all wastes generated by the operations of each company are disposed of properly and following standard environmental practice. Any deviation can result in regulatory sanctions which may lead to operations halt.* | *Employees, Community, Suppliers, Government, Shareholders* | *The Group ensures that proper waste management and disposal are followed according to environmental and regulatory standards.* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *The Group can work on reviewing and improving its waste disposal processes and be able to help in mitigating negative environmental impact.* | *Employees, Community, Suppliers, Government, Shareholders* | *The Group ensures that proper waste management and disposal are followed according to environmental and regulatory standards.* |

### *Hazardous Waste*

| Disclosure | Quantity | Units |
|---|---|---|
| Total weight of hazardous waste generated | None | kg |
| Total weight of hazardous waste transported | None | kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Not Applicable* | *Not Applicable* | *Not Applicable* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Not Applicable* | *Not Applicable* | *Not Applicable* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Not Applicable* | *Not Applicable* | *Not Applicable* |

### Effluents

| Disclosure | Quantity | Units |
|---|---|---|
| Total volume of water discharges | No sufficient data can be provided at this point but the Group is working on | Cubic |

| | | |
|---|---|---|
| | gathering the information for future reports. | meters |
| Percent of wastewater recycled | No sufficient data can be provided at this point but the Group is working on gathering the information for future reports. | % |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Which stakeholders are affected?** | **Management Approach** |
|---|---|---|
| *The Group recognize the negative impact of effluents in contaminating water supply if disposal is not properly done.* | *Community, employees, shareholders* | *The Group ensures compliance to proper waste water disposal according to accepted environmental standards. The Group is also ensuring use of recycled water and set up of rainwater harvesting facilities in its projects.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *The Group recognize the negative impact of effluents in contaminating water supply if disposal is not properly done.* | *Community, employees, shareholders* | *The Group ensures compliance to proper waste water disposal according to accepted environmental standards. The Group is also ensuring use of recycled water and set up of rainwater harvesting facilities in its projects.* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *The Group identifies the opportunity of reviewing and implementing better waste water disposal and improvement of its facilities as it relates to waste water.* | *Community, employees, shareholders* | *The Group ensures compliance to proper waste water disposal according to accepted environmental standards. The Group is also ensuring use of recycled water and set up of rainwater harvesting facilities in its projects.* |

## Environmental compliance

Non-compliance with Environmental Laws and Regulations

| Disclosure | Quantity | Units |
|---|---|---|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | None | PhP |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations | None | # |
| No. of cases resolved through dispute resolution mechanism | None | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Any non-compliance to environmental laws and regulations can directly impact the Group's operations through work stoppage, penalties, sanctions and ligitation.* | *Community, employees, shareholders, government* | *The Group ensures that all its operations are in compliance with applicable environmental laws and regulations.* |

| What are the Risk/s Identified? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Any non-compliance to environmental laws and regulations can directly impact the Group's operations through work stoppage, penalties, sanctions and ligitation.* | *Community, employees, shareholders, government* | *The Group ensures that all its operations are in compliance with applicable environmental laws and regulations.* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *Opportunities identified are improvement of the Group's policies and management control as it relates to environmental compliance of all its operations.* | *Community, employees, shareholders, government* | *The Group ensures that all its operations are in compliance with applicable environmental laws and regulations.* |

**SOCIAL**

## Employee Management

### Employee Hiring and Benefits

*Employee data*

| Disclosure | Quantity | Units |
| --- | --- | --- |
| Total number of employees[18] | 414 | |
| a. Number of female employees | 41 | # |
| b. Number of male employees | 373 | # |
| Attrition rate[19] | 2.73 | rate |
| Ratio of lowest paid employee against minimum wage | 1.2 | ratio |

*Employee benefits*

| List of Benefits | Y/N | % of female employees who availed for the year | % of male employees who availed for the year |
| --- | --- | --- | --- |
| SSS | Y | 100% | 100% |
| PhilHealth | Y | 100% | 100% |
| Pag-ibig | Y | 100% | 100% |
| Parental leaves | Y | 12.20% | 0.00% |
| Vacation leaves | Y | 100% | 100% |
| Sick leaves | Y | 100% | 100% |
| Medical benefits (aside from PhilHealth)) | Y | 100% | 100% |
| Housing assistance (aside from Pag-ibig) | N | N/A | N/A |
| Retirement fund (aside from SSS) | N | N/A | N/A |
| Further education support | N | N/A | N/A |
| Company stock options | N | N/A | N/A |
| Telecommuting | N | N/A | N/A |
| Flexible-working Hours | N | N/A | N/A |
| (Others) | N | N/A | N/A |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
| --- | --- |
| *The Group recognizes the importance of good employee management as this directly impacts productivity and company growth.* | *The Group ensures compliance to all labor standards and policies as stipulated by the Department of Labor and Employment (DOLE). All mandatory benefits are provided to all employees including additional ones as approved by the board.* |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| *Risk of attrition is a reality for the Group and losing the company's best employees will negatively affect productivity and growth.* | Constant performance appraisals and evaluation are being done on all employees and corresponding benefits and incentives are identified. |

| What are the Opportunity/ies Identified? | Management Approach |
|---|---|
| Opportunities relate to improvement in the current company policies with regards to better employee benefits and incentives. | Improvement in the current company policies as it relates to better employee benefits and incentives in order to retain the Group best people and improve productivity and ensure long-term growth. |

## Employee Training and Development

| Disclosure | Quantity | Units |
|---|---|---|
| Total training hours provided to employees | | |
| a. Female employees | 134 | hours |
| b. Male employees | 352 | hours |
| Average training hours provided to employees | | |
| a. Female employees | 8 | hours/employee |
| b. Male employees | 8 | hours/employee |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *The Group recognizes the importance and impact of training and development as this will upgrade he employees skills thereby improving productivity and ensuring long-term growth.* | *Constant training and development is provided to all employees in order to keep their knowledge and skills up to date especially as it relates to new technology and practices.* |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| *Each hour of training outside an employee's regular work can affect work schedules and potential target achievements.* | Trainings can be scheduled outside working hours and corresponding incentives can be given to employees to motivate them to attend these. |

| What are the Opportunity/ies Identified? | Management Approach |
|---|---|
| *All trainings and skills development can lead to better productivity and result in business growth.* | *Constant training and development is provided to all employees in order to keep their knowledge and skills up to date especially as it relates to new technology and practices.* |

## Labor-Management Relations

| Disclosure | Quantity | Units |
|---|---|---|
| % of employees covered with Collective Bargaining Agreements | 0 | % |
| Number of consultations conducted with employees concerning employee-related policies | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *The Group recognizes that good labor management relations and practices will ensure productivity and business growth.* | *The Group maintains an open door policy as it relates to the concerns, suggestions and opinions of its employees. The Group ensures that these are discussed and addressed.* |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| *Unaddressed grievances and concerns can lead to labor suits and work stoppage thereby reducing productivity and business growth.* | *The Group maintains an open door policy as it relates to the concerns, suggestions and opinions of its employees. The Group ensures that these are discussed and addressed.* |

| What are the Opportunity/ies Identified? | Management Approach |
|---|---|
| *Identify the opportunity/ies related to material topic of the organization* | *The Group maintains an open door policy as it relates to the concerns, suggestions and opinions of its employees. The Group ensures that these are discussed and addressed.* |

## Diversity and Equal Opportunity

| Disclosure | Quantity | Units |
|---|---|---|
| % of female workers in the workforce | 10 | % |
| % of male workers in the workforce | 90 | % |
| Number of employees from indigenous communities and/or vulnerable sector* | 2 | # |

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *The Group recognizes that diversity and equality in the workforce impact the business operations which leads to productivity improvement and long-term growth.* | *The Group is an equal opportunity employer and do not discriminate based on gender, age, race or religion. Hiring and promotion assessments are done based on skills and performance. Disciplinary cases are decided based on the facts of the case and applicable company policies and labor laws.* |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| *Potential risks involve are conflicts and miscommunication brought about by diversity.* | The Group will ensure that everyone is aware of the equal opportunity employer position of the companies and that continuous awareness trainings will be done to educate employees on diversity acceptance. |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *Improvement in the Group's policies as it relates to diversity and equality in the Group's human capital which can result in better productivity and business* | *The Group is an equal opportunity employer and do not discriminate based on gender, age, race or religion. Hiring and promotion assessments are* |

| | |
|---|---|
| *growth.* | *done based on skills and performance. In fact, two of the Group's employees are PWDs.* |

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

| Disclosure | Quantity | Units |
|---|---|---|
| Safe Man-Hours | 2,304 | Man-hours |
| No. of work-related injuries | 0 | # |
| No. of work-related fatalities | 0 | # |
| No. of work related ill-health | 0 | # |
| No. of safety drills | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *Work-related injuries can materially affect the Group's business operations. But the Group assures that all work set-ups follow the existing health and safety protocols.* | *The Group ensures that all work set-ups follow the existing health and safety protocols, and that all are compliant to existing rules and regulations as set forth by the government.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| The Group's failure to meet health and safety standards and follow all existing laws and regulations can result in work stoppage and corresponding lawsuits. | *The Group ensures that all work set-ups follow the existing health and safety protocols, and that all are compliant to existing rules and regulations as set forth by the government.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *Identify the opportunity/ies related to material topic of the organization* | *The Group ensures that all work set-ups follow the existing health and safety protocols, and that all are compliant to existing rules and regulations as set forth by the government.* |

### Labor Laws and Human Rights

| Disclosure | Quantity | Units |
|---|---|---|
| No. of legal actions or employee grievances involving forced or child labor | 0 | # |

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

| Topic | Y/N | If Yes, cite reference in the company policy |
|---|---|---|
| Forced labor | N | The Group ensures compliance to existing labor standards and policies as it relates to forced labor. |
| Child labor | N | The Group ensures compliance to existing labor standards and policies as it relates to child labor. |

| | | |
|---|---|---|
| Human Rights | N | The Group ensures compliance to existing labor standards and policies as it relates to human rights |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| *Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)<br>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business<br>relationship)* | *What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *Identify risk/s related to material topic of the Organization* | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *Identify the opportunity/ies related to material topic of the organization* | |

## Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers?

| **Topic** | **Y/N** | **If Yes, cite reference in the supplier policy** |
|---|---|---|
| Environmental performance | Y | The Group does not have a formal supplier accreditation policy yet but we are in the process of formulating one that will ensure best practice and sustainability compliance of all suppliers who will be accredited. |
| Forced labor | Y | |
| Child labor | Y | |
| Human rights | Y | |
| Bribery and corruption | Y | |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| *The Group recognizes the fact that good supply chain management will materially impact the business operations.* | *The Group is in the process of formalizing its policies with regards to sustainable supply chain practices and ensures that its employees comply to responsible sourcing for all its supplies.* |

| **What are the Risk/s Identified?** | **Management Approach** |
|---|---|
| *Risks associated with this material topic is non-delivery of the needed goods and services which can result in work stoppage and impact revenues and costs.* | *The Group is in the process of formalizing its policies with regards to sustainable supply chain practices and ensures that its employees comply to responsible sourcing for all its supplies.* |

| What are the Opportunity/ies Identified? | Management Approach |
|---|---|
| *The Group recognizes the opportunity of reviewing and improving its supply chain management.* | *The Group is in the process of formalizing its policies with regards to sustainable supply chain practices and ensures that its employees comply to responsible sourcing for all its supplies.* |

## Relationship with Community

### Significant Impacts on Local Communities

| Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations) | Location | Vulnerable groups (if applicable)* | Does the particular operation have impacts on indigenous people (Y/N)? | Collective or individual rights that have been identified that or particular concern for the community | Mitigating measures (if negative) or enhancement measures (if positive) |
|---|---|---|---|---|---|
| Not Applicable | Not Applicable | Not Applicable | N | Not Applicable | Not Applicable |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:N.A.

| Certificates | Quantity | Units |
|---|---|---|
| FPIC process is still undergoing | Not Applicable | # |
| CP secured | Not Applicable | # |



| What are the Risk/s Identified? | Management Approach |
|---|---|
| Not Applicable | Not Applicable |

| What are the Opportunity/ies Identified? | Management Approach |
|---|---|
| Not Applicable | Not Applicable |

## Customer Management

*Customer Satisfaction*

| Disclosure | Score | Did a third party conduct the customer satisfaction study (Y/N)? |
|---|---|---|
| Customer satisfaction | None | No |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *Not Applicable* | *Not Applicable* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *Not Applicable* | *Not Applicable* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *Not Applicable* | *Not Applicable* |

*Health and Safety*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on product or service health and safety* | 0 | # |
| No. of complaints addressed | 0 | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *Not Applicable* | *Not Applicable* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *Not Applicable* | *Not Applicable* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *Not Applicable* | *Not Applicable* |

*Marketing and labelling*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on marketing and labelling* | 0 | # |
| No. of complaints addressed | 0 | # |

**Substantiated complaints include complaints from customers that went through the organization's* *formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *Not Applicable* | *Not Applicable* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *Not Applicable* | *Not Applicable* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *Not Applicable* | *Not Applicable* |

*Customer privacy*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on customer privacy* | 0 | # |
| No. of complaints addressed | 0 | # |
| No. of customers, users and account holders whose information is used for secondary purposes | 0 | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| *PHA as a holding company do not have any direct customers. It is the customer management and satisfaction for GLCI that can potential affect the Group's business and reputation.* | *The Group ensures that customer experience is positive and that any concerns and complaints are speedily addressed.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| *Complaints can lead to back-outs and loss in sales especially for GLCI with regards to its real estate projects.* | *The Group ensures that customer experience is positive and that any concerns and complaints are speedily addressed.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *Satisfied customers can lead to upsells for other products and positive word of mouth.* | *The Group ensures that customer experience is positive and that any concerns and complaints are speedily addressed. Dedicated employees and teams handle customer service.* |

## Data Security

| Disclosure | Quantity | Units |
|---|---|---|
| No. of data breaches, including leaks, thefts and losses of data | None | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|

| | |
|---|---|
| *The Group recognizes the vital importance of data security to its business operations.* | *The Group ensures compliance to all existing laws, rules and regulations as it relates to data privacy and the operations ensure implementation of the Data Privacy Act.* |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| Any data breach will pose operational risks to the Group. Sensitive and confidential information once leaked will affect not only the company's reputation but also its future operations and plans. | *The Group ensures compliance to all existing laws, rules and regulations as it relates to data privacy and the operations ensure implementation of the Data Privacy Act. Corresponding data security measures are also being put in place.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| Opportunity to constantly improve the Group's data management system and security. | *The Group ensures compliance to all existing laws, rules and regulations as it relates to data privacy and the operations ensure implementation of the Data Privacy Act. Corresponding data security measures are also being put in place.* |

## Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

| Key Products and Services | Societal Value / Contribution to UN SDGs | Potential Negative Impact of Contribution | Management Approach to Negative Impact |
|---|---|---|---|
| Horizontal and Vertical Projects<br>(Lots and Housing) | The Group through GLCI provide families the opportunity of owning a home and in the cool climes of Baguio City which is considered to be the summer capital of the Philippines. The homes that were built by the Company not only provide shelter for the buyers but also passive income for those who choose to rend them out.<br><br>In 2019, GLCI has a total of 1,593 verticxal residential units. | Apart from the environmental, social, and economic impacts identified above, the Group sees no further material impacts of this product to SDGs. | Nothing material that the Group could identify |
| Master planned mixed-use developments and | The Group through GLCI created master planned communities providing not only shelter but communities fostering to | Apart from the environmental, social, and economic impacts identified above, the Group sees no further | Nothing material that the Group could identify |

| | | | |
|---|---|---|---|
| townships | specific groups and demographics. The company's North Cambridge project put together a community catering to students while the Courtyards project is a master-planned resort-style community for families and retirees. | material impacts of this product to SDGs. | |

* *None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*