

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b)**  
**OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

- Preliminary Information Statement
- Definitive Information Statement

2. Name of Registrant as specified in its charter

Premiere Horizon Alliance Corporation

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

PHILIPPINES

4. SEC Identification Number

147584

5. BIR Tax Identification Code

043-002-727-376

6. Address of principal office

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

Postal Code

1605

7. Registrant's telephone number, including area code

02-6327715

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

October 24, 2019, 3 o'clock P.M., Valle Verde Country Club, Inc., Pasig City

9. Approximate date on which the Information Statement is first to be sent or given to security holders

Sep 27, 2019

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

Premiere Horizon Alliance Corporation

Address and Telephone No.

Unit 1705, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas  
Center, Pasig City

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	1,990,480,889

13. 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

*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 Alliance Corporation PHA

### PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting *References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules*

<b>Date of Stockholders' Meeting</b>	Oct 24, 2019
<b>Type (Annual or Special)</b>	ANNUAL
<b>Time</b>	3:00 P.M.
<b>Venue</b>	Valle Verde Country Club, Inc. Pasig City
<b>Record Date</b>	Aug 31, 2019

#### Inclusive Dates of Closing of Stock Transfer Books

<b>Start Date</b>	N/A
<b>End date</b>	N/A

#### Other Relevant Information

Please find herewith the attached Definitive Information Statement filed in Securities & Exchange Commission (SEC) last September 27, 2019.

#### Filed on behalf by:

<b>Name</b>	Raul Ma. Anonas
<b>Designation</b>	Executive Vice President, CIO/ COO





SECURITIES AND EXCHANGE  
COMMISSION  
**RECORDED**  
SEP 27 2019  
MARKET REGULATION DEPT.  
BY: Shump TIME: 4:05

September 26, 2019

Securities and Exchange Commission  
Secretariat Building, PICC Complex,  
Roxas Boulevard, Pasay City, 1307

Attention: Dir. Vicente Graciano P. Felizmenio, Jr.  
Market and Securities Regulation Dept.

Re: 2019 Definitive Information Statement

Gentlemen:

We respectfully submit the Definitive Information Statement ("DIS") of PREMIERE HORIZON ALLIANCE CORPORATION ("PHA") in relation to the conduct of its annual stockholders' meeting to be held on October 24, 2019 at 3:00 P.M. at the Valle Verde Country Club, Pasig City, Philippines. Incorporated therein are PHA's actions on the following comments of the Securities and Exchange Commission on PHA's Preliminary Information Statement:

<u>Checklist of Requirements</u>	<u>SEC Remarks</u>	<u>PHA Actions</u>
Notice of Meeting	Submit the signed Notice of Meeting	Complied. Please see attached.
Cover Sheet	If the company intends to distribute DIS in forms other than hard copy, i.g. electronic copy in CD Format/QR Code/USB; the company must secure approval from the SEC (through a letter with the attached Clearance of the Optical Media Board, as applicable.)	Complied. Please see attached copy of approval from the SEC MSRD on September 18, 2019.

General Comment	Update pertinent disclosures and reference should be made to the Revised Corporation Code of the Philippines (RCCP)	Complied. Please see pages 1, 2, 8, 10, 11, 13, 14 and 15
General Comment	Submit a marked up copy in addition to the official filing to highlight the revisions/updates made (to facilitate SEC review). Send the softcopy to <a href="mailto:jgguiao@sec.gov.ph">jgguiao@sec.gov.ph</a>	Complied. Marked-up copy is attached and will be emailed to <a href="mailto:jgguiao@sec.gov.ph">jgguiao@sec.gov.ph</a>
General Comment	Per Company's By-Laws, ASM is on any day to be fixed by the BOD in May. Submit a copy of the 17C report re the Postponement of Meeting duly filed with the SEC, if any.	Please see attached SEC Form 17C.
Part I.		
A. General Information		
B. Control and Compensation Information	Revisit disclosures under this subheading	Complied. Please see page 2 of the DIS.
Item 4. Voting Securities & Principal Holders	Please provide information as of record date or latest practicable date.	Complied. Please see page 2 of the DIS with record date of August 31, 2019.
	Refer to pertinent sections of the RCCP	Complied. Please see page 2 of the DIS.
	Please disclose the Beneficial Owners of more than 5%	Complied. Please see pages 2 and 3 of the DIS.
Identify Directors, including Independent Directors and Executive Directors	Submit this Certification	Certification provided.
Certification on Qualifications and Disqualification of Independent Directors	Submit Certification on Qualifications of Independent Directors	Certification provided.
List the names, ages and citizenship of all directors, including independent directors, executive officers and all persons nominated	Reference was made to Annex C but no such attachment was found; ensure full disclosure.	Complied. Please see pages 4, 5, 6 and 7 of the DIS.

or chose to become such where required under Section 38 of the Code and SRC Rule 38.1 adopted thereunder; also provide the names of the incorporators in the case of an investment company.		
Item 15. Actions With Respect to Directors	Please be advised of the requirements of Section 49 of the Revised Corporation Code of the Philippines. These form part of the required disclosures moving forward.	Complied. Please see pages 14 and 15 of the DIS.
Part III.		
Signature Page	No signature page	Complied. Please see page 18 of the DIS.
Management Report		
Management's Discussion and Analysis (MD&A) or Plan of Operation (Required by Part III(A) of "Annex C, as amended")	Disclose the plan of operations for the year 2019	Complied. Please see pages 19, 20 and 21 of the Management Report and SEC Form 17-Q.
A. Directors and Officers  1. Principal occupation or employment of each such person.  2. Name and principal business of any organization by which such person is employed.	No Annex A was found.	Complied. Please see pages 4, 5, 6 and 7 of the DIS.

<p>Presentation of the high and low sales prices for each quarter within the last two (2) fiscal years and any subsequent interim period for which Financial statements are required by SRC Rule 68</p>	<p>Please update the price information as of the latest practicable date or as of the record date, whichever is practicable.</p>	<p>Complied. The closing price as of Record Date August 31, 2019 was Php0.58 and was already reported on page 38 of the PIS. We will also update the closing price. Please see page 40 of the Management Report.</p>
<p>Discussion on compliance with leading practice on Corporate Governance</p>	<p>Fully disclose the following: (a) Evaluation system established by the company to measure or determine the level of compliance by the Board of Directors and top level management with its Manual of Corporate Governance; (b) Measures being undertaken by the Company to fully comply with the adopted leading practices on good corporate governance; (c) Any deviation from the company's Manual on Corporation Governance. Including a disclosure of the name and position of the person/s involved and sanction/s imposed on said individual; (d) Any plan to improve corporate governance of the company</p>	<p>Complied. Please see pages 42 and 43 of the Management Report.</p>

<p>Undertaking in boldface prominent type to provide without charge to each person solicited, on the written request of any such person, a copy of the registrant's annual report on SEC Form 17-A and shall indicate the name and address of the person to whom such written request is to be directed. At the discretion of management, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by the registrant in furnishing such exhibits.</p>		<p>Complied. Please see page 44 of the Management Report.</p>
<p>Audited Financial Statements - A schedule showing financial soundness indicators in two comparative period as follows: 1) current/liquidity ratios; 2) solvency ratios, debt-to-equity ratio; 3) asset-to-equity ratio; 4) interest rate coverage ratio; 5) profitability ratio and 6) other relevant ratio as the Commission may prescribe</p>	<p>Please submit</p>	<p>Complied.</p>
	<p>Submit the Proxy Form.</p>	<p>Complied. Please see attached.</p>

Very truly yours,

  
**ANA MARIA A. KATIGBAK**  
Assistant Corporate Secretary



# COVER SHEET

- - - - 1 4 7 5 8 4  
SEC Registration Number

P R E M I E R E H O R I Z O N A L L I A N C E  
C O R P O R A T I O N  
(Company's Full Name)

U N I T E - 1 7 0 5 1 7 F E A S T T O W E R P S E  
E X C H A N G E R O A D O R T I G A S C E N T E R

P A S I G C I T Y  
(Business Address: No., Street City / Town / Province)

ANA MARIA A. KATIGBAK  
Contact Person

817 6791  
Company Telephone Number

## 2019 DEFINITIVE INFORMATION STATEMENT

1 2 3 1  
Month Day  
Fiscal Year

FORM TYPE

1 0 2 4  
Month Day  
Annual Meeting

N/A  
Secondary License Type, If Applicable

C F D  
Dept Requiring this Doc

N/A  
Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings  
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

Remarks: Please use BLACK ink for scanning purposes



**Premiere  
Horizon**

Invigorating the Countryside



## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To All Stockholders:

Please be advised that the Annual Meeting of the Stockholders of **PREMIERE HORIZON ALLIANCE CORPORATION** will be held on Thursday, October 24, 2019 at 3:00 p.m. at the Valle Verde Country Club, Capt. Henry Javier Street, Pasig City, Philippines.

The following is the agenda of the meeting:


1. Call to Order
2. Proof of Notice and Certification of Quorum
3. Approval of the Minutes of the Annual Meeting of Stockholders held on June 21, 2018
4. Management Report & Audited Financial Statements for Year Ended December 31, 2018
5. Ratification of Acts of the Board of Directors and Management
6. Election of Directors
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

For purposes of the meeting, stockholders of record as of August 31, 2019 are entitled to notice and to vote at the said meeting. Registration for the said meeting begins at 2:00 p.m. For convenience in registering your attendance, please have available some form of identification, such as, a driver's license, voter's ID, TIN card, SSS card or passport.

If you will not be able to attend the meeting but would like to be represented thereat, you may submit your proxy form, duly signed and accomplished, to the Corporate Secretary at the Corporation's principal office located at Unit 1705 East Tower Philippine Stock Exchange Bldg., Exchange Road, Ortigas Center, Pasig City no later than October 14, 2019 at 5:00 p.m. Beneficial owners of shares lodged with the Philippine Depository Trust Corporation or registered under the name of a broker, bank or other fiduciary allowed by law must, in addition to the required I.D., present a notarized certification from the owner of record that he is the beneficial owner, indicating thereon the number of shares. Corporate shareholders shall likewise be required to present a notarized secretary's certificate attesting to the authority of its representative to attend and vote at the stockholders' meeting. In accordance with Rule 20.11.2.18 of the 2015 Implementing Rules and Regulations of the Securities and Regulation Code, proxies executed by brokers shall be accompanied by a certification under oath stating that before the proxy was given to the broker, he had duly obtained the written consent of the persons in whose account the shares are held.

Validation of proxies will be held not later than October 18, 2019 at the Company's principal office.

Makati City, Metro Manila, September 4, 2019.

  
**ROBERTO V. SAN JOSE**  
Corporate Secretary

**PREMIERE HORIZON ALLIANCE CORPORATION  
ANNUAL STOCKHOLDERS' MEETING  
OCTOBER 24, 2019**

**PROXY FORM**

This proxy is being solicited on behalf of the Board of Directors and Management of PREMIERE HORIZON ALLIANCE CORPORATION (the "Company") for voting at the annual stockholders' meeting to be held on October 24, 2019 at 3:00 p.m. at the Valle Verde Country Club, Captain Henry Javier St., Pasig City, Philippines with **Record Date August 31, 2019.**

I, the undersigned stockholder of the Company, do hereby appoint, name and constitute either of the Company's **President, AUGUSTO ANTONIO C. SERAFICA, JR.,** or

or

\_\_\_\_\_

as my attorney-in-fact and proxy, to represent me at the Annual Stockholders' Meeting of the Company to be held on October 24, 2019 and any adjournment(s) or postponement thereof, as fully and to all intents and purposes as I might or could if present and voting in person, hereby ratifying and confirming any and all actions taken on matters which may properly come before such meeting or adjournment(s) or postponement(s) thereof. In particular, I hereby direct my said proxy to vote on the agenda items set forth below as I have expressly indicated by marking the same with an "X".

AGENDA ITEMS	ACTION		
	FOR	AGAINST	ABSTAIN
Item 1. Call to Order	No action necessary.		
Item 2. Proof of Notice and Certification of Quorum	No action necessary.		
Item 3. Approval of the Minutes of the Annual Stockholders' Meeting held on June 21, 2018			
Item 4. Approval of the Management Report and Audited Financial Statements for the year ended December 31, 2018			
Item 5. Confirmation and ratification of all acts and resolutions of Management and the Board of Directors from the date of the last stockholders' meeting to date as reflected in the books and records of the Company			
Item 6. Election of Directors			
For Regular Director:			
Augusto Antonio C. Serafica, Jr.			
George Edwin Y. Sycip			
Winston A. Chan			
Siso M. Lao			
Raul Ma. F. Anonas			
Victor Y. Lim			
Ramon A. Recto			
For Independent Director:			
Arsenio Benjamin E. Santos			
Ramon G. Santos			
Item 7. Approval to appoint SGV & Co. as the external auditor of the Company for 2019-2020			
Item 8. Other Matters	According to Proxy's Discretion		
Item 9. Adjournment			

**IN CASE A PROXY FORM IS SIGNED AND RETURNED IN BLANK**

If no instructions are indicated on a returned and duly signed proxy, the shares represented by the proxy will be voted:  
FOR the approval of the minutes of the Annual Stockholders' Meeting held on June 21, 2018;  
FOR the approval of the Management Report and audited financial statements for year ended December 31, 2018;  
FOR the confirmation and ratification of all acts and resolutions of Management and the Board of Directors from the date of the last stockholders' meeting to date as reflected in the books and records of the Company;  
FOR the election of the following directors: Augusto Antonio C. Serafica, Jr., George Edwin Y. Sycip, Winston A. Chan, Raul Ma. F. Anonas, Ramon A. Recto, Victor Y. Lim, Siso M. Lao, Arsenio Benjamin E. Santos (Independent Director) and Ramon G. Santos (Independent Director);  
FOR the approval of the appointment of SGV & Co. as the external auditor of the Company for 2019-2020;  
and to authorize the Proxy to vote according to discretion of the Company's President or Chairman of the Meeting on any matter that may be discussed under "Other Matters".

A Proxy Form that is returned without a signature shall not be valid.

**INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

No member of the Board of Directors or executive officer since the beginning of the last fiscal year, or nominee for election as director, or their associates, has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

**VALIDATION OF PROXIES**

The proxy forms shall be submitted to PHA on or before 5:00 p.m. of October 14, 2019 at the principal office of the Corporation. Proxy forms shall be validated until October 18, 2019, at the Corporation's principal office.

**REVOCAION OF PROXIES**

A stockholder giving a proxy has the power to revoke it any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person.

Signed this \_\_\_\_\_ 2019 at \_\_\_\_\_  
(DATE) (PLACE)

\_\_\_\_\_  
Printed Name of Stockholder

\_\_\_\_\_  
Signature of Stockholder or Authorized Signatory

[\*N.B.: Partnership, Corporations and Associations must attach certified resolutions or extracts thereof designating the Proxy/Representative and authorized signatories]

**PLEASE DATE AND SIGN YOUR PROXY**

**PLEASE MARK, SIGN AND RETURN YOUR PROXY BY HAND OR MAIL (IN TIME FOR IT TO REACH THE COMPANY) ON OR BEFORE 5:00 P.M. of OCTOBER 14, 2019.**

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS  
INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**



1. Check the appropriate box:  
 Preliminary Information Statement  
 **Definitive Information Statement**
2. Name of Registrant as specified in its charter Premiere Horizon Alliance Corporation
3. Philippines  
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number 147584
5. BIR Tax Identification Code 043-002-727-376
6. Unit 1705 East Tower, Philippine Stock Exchange Bldg.,  
Exchange Rd., Ortigas Center, Pasig City  
 Address of principal office 1605  
Postal Code
7. Registrant's telephone number, including area code (02) - 632-7715
8. October 24, 2019 at 3:00 p.m. at the Valle Verde Country Club, Pasig City  
 Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders  
September 27, 2019.
10. In case of Proxy Solicitations:  

*Name of Person Filing the Statement/Solicitor : Premiere Horizon Alliance Corporation*

*Address and Telephone No. : Unit 1705 East Tower Philippine Stock Exchange Bldg.,  
Exchange Rd., Ortigas Center, Pasig City 1605; Tel. no. (02)-632-7715*
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
<u>Common</u>	<u>1,990,480,889</u>
	<u>1,815,480,889 Listed</u>

12. Are any or all of registrant's securities listed in a Stock Exchange?  
 Yes  No   
 If yes, disclose the name of such Stock Exchange and the class of securities listed therein:  
Philippine Stock Exchange - common shares

**INFORMATION STATEMENT**  
**(SEC FORM 20-IS)**

**PART I.**  
**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. Date, Time and Place of Meeting of Security Holders.**

Premiere Horizon Alliance Corporation (the "Company" or "PHA") will be holding its annual stockholders' meeting on October 24, 2019 at 3:00 p.m. at the Valle Verde Country Club, Pasig City, pursuant to the resolution of the Board of Directors at a board meeting held on August 8, 2019.

The complete mailing address of the principal office of is Unit 1705 East Tower, Philippine Stock Exchange Bldg., Exchange Rd., Ortigas Center, Pasig City.

The approximate date when the information statement will be first sent to security holders will be on September 27, 2019.

**Item 2. Dissenters' Right of Appraisal**

There are no matters to be taken up during the annual stockholders' meeting with respect to which the law allows the exercise of appraisal right by any dissenting stockholder. The Revised Corporation Code limits the exercise of the appraisal right only in the following instances:

- a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of share, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);
- b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 81);
- c. In case of merger or consolidation (Section 81);
- d. In case of investments in another corporation, business or purpose (Section 81).

Since the matters to be taken up do not include any of the foregoing, the appraisal right will not be available.

However, if at any time after this Information Statement has been sent out, an action which may give rise to the right of appraisal is proposed at the meeting, any stockholder who votes against the proposed action and who wishes to exercise such right must make a written demand, within thirty (30) days after the date of the meeting or when the vote was taken, for the payment of the fair market value of his shares. Upon payment, he must surrender his certificates of stock. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

The directors, officers, nominees for directors and their associates do not have a substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting other than their re-election to their respective positions.

The Company has not been informed in writing by any person of any intention to oppose any action to be taken at the meeting.

## B. CONTROL AND COMPENSATION INFORMATION

### Item 4. Voting Securities and Principal Holders Thereof

The record date to determine the stockholders entitled to notice and to vote at the meeting is on August 31, 2019

As of August 31, 2019, there are 1,990,480,889 unclassified common shares entitled to notice and to vote at the meeting, of which 1,616,439,876 shares are registered under Filipinos and 156,112,303 shares are registered under foreign ownership. Each common share is entitled to one vote. The Company has 1,990,480,889 common shares listed and traded in the Philippine Stock Exchange ("PSE").

The election of the board of directors for the current fiscal year will be taken up and all stockholders entitled to vote may vote in person or by proxy. The stockholders have the right to cumulate their votes in favor of their chosen nominees for director in accordance with Section 23 of the Revised Corporation Code. A stockholder may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected. There is no stated condition precedent to the exercise of cumulative voting rights.

### Security Ownership of Certain Record and Beneficial Owners and Management

**(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% of voting securities as of the record date.**

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial owner and relationship with record owner (direct)	Citizenship	No. of Shares	Percentage
Common	PCD Nominee Corporation G/F Makati Stock Exchange 6767 Ayala Avenue Makati City  Stockholder	PCD Nominee Corp. is the record owner	Filipino	1,616,439,876	81.21%
Common	PCD Nominee Corporation G/F Makati Stock Exchange 6767 Ayala	PCD Nominee Corp. is the record owner  *The Corporation has no	Foreign	156,112,303	07.84%

	Avenue Makati City Stockholder	information of any beneficial owner holding more than 5% interest in shares lodged under PCD Nominee Corp.			
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## (2) Security Ownership of Management

The following are the security ownership of the directors and executive officers of the Company as of August 31, 2019:

Title of Class	Name of Beneficial Owner; Relationship with Issuer	Amount and Nature of Beneficial Ownership (direct & indirect)	Citizenship	Percentage held
Common	Augusto Antonio C. Serafica, Jr., Chairman and President	116,570,001 (D&I)	Filipino	5.86%
Common	Siso M. Lao, Director	71,666,666 (D); 106,721,807 (I) lodged with PCD	Filipino	8.96%
Common	George Edwin Y. Sycip, Director	2,010,000 (D)	Filipino	0.1%
Common	Raul Ma. Anonas, Director	21,250,001(D)	Filipino	1.07%
Common	Victor Y. Lim, Director	83,000 (D)	Filipino	0.00%
Common	Winston A. Chan, Director	2,500 (D)	Filipino	0.00%
Common	Ramon A. Recto, Director	1 (D)	Filipino	0.00%
Common	Arsenio Benjamin E. Santos, Independent Director	2,500 (D)	Filipino	0.00%
Common	Ramon G. Santos, Independent Director	2,500 (D)	Filipino	0.00%
Common	Manolo P. Tuason, SVP/CFO	700,000 (I)	Filipino	0.04%
Total				16.3%

## (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

There has been no change in control in year 2018 and as of the date of this Information Statement.



**Item 5. Directors and Executive Officers**

**A. Directors and Key Corporate Officers**

The nominees for the Board of Directors of the Corporation for the current year pre-screened by the Nominations Committee are the following:

Augusto Antonio C. Serafica, Jr.  
George Edwin Y. Sycip  
Winston A. Chan  
Siso M. Lao  
Raul Ma. F. Anonas  
Victor Y. Lim  
Ramon A. Recto  
Arsenio Benjamin E. Santos (Independent)  
Ramon G. Santos (Independent)

All nominees are Filipino citizens. The aforementioned nominees are expected to attend the annual stockholders' meeting.

**Information required of Directors and Key Officers**

**Directors:**

Name	Age	Citizenship	Positions held	Term of Office
Augusto Antonio C. Serafica, Jr.	57	Filipino	President & CEO	January 2013 to present
Siso M. Lao	53	Filipino	Vice Chairman Director	March 2011 to present January 1, 2015 (Vice Chairman)
Raul F. Anonas	57	Filipino	Director EVP & COO	September 2012 to present January 1, 2015 (EVP & COO)
Ramon A. Recto	86	Filipino	Director	December 2012
Victor Y. Lim, Jr.	73	Filipino	Director	July 28, 2015 to present
George Y. Sycip	63	American	Director	February 6, 2018
Winston A. Chan	62	Filipino	Director	February 6, 2018
Ramon G. Santos	69	Filipino	Independent Director	February 6, 2018
Arsenio Benjamin E. Santos	71	Filipino	Independent Director	February 6, 2018

**Mr. Augusto Antonio C. Serafica, Jr. (President & CEO, Director)**

Mr. Serafica (age 57) was elected as a Regular Director during the Board meeting on May 2010 and became Chairman in March 2011 to December 2014. 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. Siso M. Lao (Vice Chairman)**

Mr. Lao (age 53) was elected as the Vice Chairman of the Board effective January 1, 2015. He became a Director of Premiere Horizon in 2011. Mr. Lao is the President and CEO of Milestone Garments Manufacturing and a director of One Megaworld Ventures, Skyfoods Corp. and 3L Properties & Alpha Devt Corp. Mr. Lao is also the Vice President of Blackstone Properties and Development Corp. and FirstCapitol Inc. Mr. Lao's expertise in real estate development is a perfect match to Premiere Horizon's plan of tourism and property development. Mr. Lao graduated from Patts College of Aeronautics with a degree of Aeronautical Engineering.

**Mr. Raul F. Anonas (Executive Vice President & Chief Operating Officer, Director)**

Mr. Anonas (age 57) 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.

**Ramon A. Recto (Regular Director)**

Mr. Recto (86) 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. Victor Y. Lim (Regular Director)**

Mr. Lim (age 73) 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 Institute, 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.

**George Y. SyCip (Regular Director)**

Mr. SyCip (age 63) 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 non-profit 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.

**Winston A. Chan (Regular Director)**

Mr. Chan (age 62) 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.

**Ramon G. Santos (Independent Director)**

Mr. Ramon G. Santos (age 69) 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.

**Arsenio Benjamin E. Santos (Independent Director)**

Mr. Arsenio Benjamin E. Santos (age 71) was elected as Independent Director on February 06, 2018. He is currently the President and CEO of Southwest Maritime Group of Companies. Mr. Santos is also the President of Chiba Marine Repair, Inc.. He is the Director of Link Edge, Inc., Islas Tankers Group, Islas Tankers Holdings and Shuwa Kaiun Kaisha, Ltd. He is also the Chairman of Nippon Kaiji Kyokai (NK). Mr. Santos is also a member of American Bureau of Shipping and a Philippine Technical Committee member of the Bureau Veritas. Mr. Santos was a Director of Batangay Bay Carriers, Inc., National Marine Corporation and Filipino Shipowners Association. He used to be the Managing Director in Westwind Shipping Corporation and Baliwag Navigation Inc.

**Key Corporate Officers**

**Atty Roberto V. 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.

**Nomination and Election of Independent Directors**

The incumbent Independent Directors are: Arsenio Benjamin E. Santos and Ramon G. Santos. The incumbent directors have certified that they possess all the qualification and none of the disqualifications provided under the Securities and Regulation Code ("SRC").

*The following are the details of the nominations for Independent Director received and approved by the Nominations Committee:*

<b>Nominee for Independent Director</b>	<b>Person Submitting the Nomination</b>	<b>Relation of Nominee to the Nominator</b>
Arsenio Benjamin E. Santos	Raul Ma. F. Anonas	None
Ramon G. Santos	Raul Ma. F. Anonas	None

In compliance with SRC Rule 38 which provides for the guidelines on the nomination and election of independent directors and the Corporation's Revised Manual of Corporate Governance, the Nominations and Compensation Committee, now known as the Corporate Governance Committee, was constituted and members thereof were duly elected for the year 2018 consisting of Ramon G. Santos, as Chairman, Arsenio Benjamin E. Santos and Victor Y. Lim as members.

The Corporate Governance Committee was created: to accept and pre-screen nominees for the election of the Board Directors as well as Independent Directors conformably with the criteria prescribed under existing SEC rules and the Corporation's Revised Manual of Corporate Governance; to prepare and make available to the SEC and the stockholders before the stockholders' meeting a final list of candidates; to establish a formal and transparent procedure for developing a policy on executive remuneration, and for fixing the remuneration packages of corporate officers and directors. The Corporation complies with the requirements of Rule 38 of the SRC on the nomination and election of Independent Directors.

The Corporate Governance Committee has determined certain criteria for nomination to the Board including the following guidelines: the nature of the businesses of the corporations which the nominee is a director; the age of the director; number of directorship/active memberships and officership in other organizations; and possible conflicts of interest.

## **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 Corporation.

## **Involvement in Certain Legal Proceedings**

The Corporation is not a party to any legal proceedings. It is not involved in any pending legal proceedings with respect to any of its properties. It is not involved in any claims or lawsuits involving damages that may materially affect it or its subsidiaries.

However, the Corporation's subsidiaries are involved in the following material legal issues:

- (a) Digiwave Solutions Inc. (DSI), a wholly-owned subsidiary of the Company, is currently involved in two (2) pending issues:
  - (1) Civil Case No. Q-10-68354 filed by E-MPA Fires Company against Blue Skies Philko, Inc. and DSI for Specific Performance and Damages with the Regional Trial Court ("RTC") of Quezon City, Branch 224. The case is still in the trial stages.

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 for Specific Performance and Damages with the National Capital Regional Trial Court – Quezon City, Branch 88. The defense is scheduled to present its next witness, Atty. Stephen E. Cascolan, on the next hearing date
  - (2) Civil Case No. 019315 filed by Rosemarie M. Lipana against DSI for a sum of money with prayer for the issuance of a Writ of Preliminary Attachment with the Metropolitan Trial Court Branch 68 of Pasig City. The case is still in the trial stages.
  - (3) Digiwave Solutions Inc. is the defendant in Civil Case No. 019315 filed by Rosemarie M. Lipana for a sum of money with prayer for the issuance of a Writ of Preliminary Attachment with the Metropolitan Trial Court Branch 68 of Pasig City. The proceedings before the MTC has been suspended due to the filing of a Petition for Review before the RTC of Pasig City. The Petition for Review questions the Court's order disallowing DSI to present its witnesses because of its failure to file the Judicial Affidavits of its witnesses. The respondents have repeatedly failed to file their comment/answer to the Petition. At the last hearing on 19 April 2018, the Ms. Lipana, again, failed to appear. The next scheduled hearing is on 07 June 2018.
- (b) Goshen Land Capital, Inc. (GLCI), a 55% owned subsidiary of the Company, is currently involved in four (4) pending matters:
  - (1) Petition for Cancellation of Entry No. 328630-36-211 in Transfer Certificate of Title ("TCT") No. T-66332 filed by Rosaline N. Abance against National Grid Corp., the Register of Deeds of the Province of Benguet, Solicitor General, Land Registration Authority and Goshen Land Capital, Inc., with the Regional Trial Court, First Judicial Region, Branch 8, La Trinidad, Benguet. GLCI is a party-in-interest due to its existing project at the Summerfields Subdivision, covered by the TCT. The next hearing is set on September 14, 2017 for the purpose of terminating presentation of evidence by the parties.
  - (2) Petition for Cancellation of Entry No. 328630-36-211 in Transfer Certificate of Title ("TCT") No. T-66332 filed by Rosaline N. Abance against National Grid Corp., the Register of Deeds of the Province of Benguet, Solicitor General, Land Registration

Authority and Goshen Land Capital, Inc., with the Regional Trial Court, First Judicial Region ("FJR"), Branch 8, La Trinidad, Benguet. GLCI is a party-in-interest due to its existing project at the Summerfields Subdivision, covered by the TCT. The next hearing is on May 22, 2018, for the manifestation of National Grid Corp. on its Comment/Opposition on the reduction of the annotated easement. Meanwhile, a negotiation on the claims of Ms. Abance against GLCI is being made. It will be presented to the court as compromise.

- (3) Judicial Titling filed by Remedios Sucdad, Jenniclaire S. Bartolome, Sunshine Villagrancia, Peterson A. Sucdad, Mark Anthony A. Sucdad, Cedric Sucdad, Antonio P. Sucdad, Romeo Abenes, and Gloria Abenes, with the RTC Branch 8 of La Trinidad, Benguet for the Registration of Parcels of Land under Act No. 496 as Amended by P.D. 1529. GLCI is a party-in-interest due to an existing Memorandum of Agreement with the lot-owner of the GLCI-owned Blue Ridge Mountains Project. We are yet to receive order of hearing date for the opposition filed against our application of titling.
- (4) Judicial Titling filed by Remedios Sucdad, Jenniclaire S. Bartolome, Sunshine Villagrancia, Peterson A. Sucdad, Mark Anthony A. Sucdad, Cedric Sucdad, Antonio P. Sucdad, Romeo Abenes, and Gloria Abenes, with the RTC Branch 8 of La Trinidad, Benguet for the Registration of Parcels of Land under Act No. 496 as Amended by P.D. 1529. GLCI is a party-in-interest due to an existing Memorandum of Agreement with the lot-owner of the GLCI-owned Blue Ridge Mountains Project. The cases were re-raffled to the following courts: (i) LRC Case Number 10-LRC-0033 – Branch 10, RTC, FJR, La Trinidad, Benguet (Remedios Sucdad, et al.); (ii) LRC Case Number 10-LRC-0036 – Branch 8, RTC, FJR, La Trinidad, Benguet (Remedios Sucdad, et al); (iii) LRC Case Number 10-LRC-0034 – Branch 10, RTC, FJR, La Trinidad, Benguet (Antonio P. Sucdad); (iv) LRC Case Number 10-LRC-0035 – Branch 62, RTC, FJR, La Trinidad, Benguet (Romeo Abenes); and (v) LRC Case Number 10-LRC-0037 – Branch 8, RTC, FJR, La Trinidad, Benguet (Gloria Abenes). The current issue being resolved is the Opposition filed by a certain Leuterio claiming ownership of land covering an area of 20,000 sq. m. within the title application. The case has been temporarily archived pending receipt by the court of a joint survey to determine the exact technical description/location of the portion claimed by Leuterio. GLCI's technical findings compared with the geodetic description submitted by Leuterio are in conflict with each other. This matter is currently being resolved by the parties.

The outcome of these lawsuits or claims cannot be presently determined. In the opinion of Management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Corporation.

Furthermore, its director, George Edwin Y. SyCip is involved in the following legal proceedings:

- (1) Victory Fund Limited, Harvest All Investment Limited, Bondeast Private Limited, and Hedy S. C. Yap Chua (collectively, "Complainants"), who are minority stockholders of Alliance Select Foods International, Inc. ("Alliance") filed a complaint against Jonathan Y. Dee, Alvin Y. Dee, Joanna Y. Dee-Laurel, George E. SyCip, Teresita Ladanga, Grace Dogillo, Arak Ratborihan, Raymond See, Marie Grace Vera Cruz, and Antonio Pacis (collectively, the "Respondents") who were or still are directors and/or officers of Alliance, for Syndicated *Estafa* and Falsification of Public Documents before the Office of the City Prosecutor in Manila ("OCP-Manila"). The OCP-Manila dismissed both complaints (*i.e.*, Syndicated *Estafa* and Falsification of Public Documents charges, and the Perjury counter-charge) through a *Joint Resolution* dated July 12, 2016. The Complainants then filed a *Petition for Partial Review* dated August 29, 2016 in the Department of Justice ("DOJ") which was denied in its *Joint Resolution* dated March 31, 2017.

The Complainants filed a *Motion for Partial Reconsideration* dated April 17, 2017, which the DOJ granted in its *Joint Resolution* dated March 27, 2018. The DOJ affirmed the dismissal of the Complainants' charges of Syndicated *Estafa* and Falsification of Public Documents against the Respondents but found probable cause to charge the Dees, George SyCip,

Teresita Ladanga, Grace Dogillo, and Arak Ratborihan with simple *Estafa* under paragraph 2(a), Article 315 of the Revised Penal Code.

Mr. SyCip received the March 27, 2018 Resolution on April 5, 2018. He has timely filed his Motion for Reconsideration on April 15, 2018 to dispute the factual and legal findings of the DOJ. The Motion for Reconsideration is currently pending resolution.

- (2) On February 13, 2014, Dr. Albert Hong Hin Kay acting in his personal capacity and ON behalf of three foreign corporations who are all stockholders of Alliance Select Foods International, Inc. ("Alliance"), filed a complaint against Mr. SyCip and Alliance's Assistant Corporate Secretary, Atty. Annsley Bangkas, for alleged violation of the complainant corporations' right to inspect under Secs. 73 and 74, in relation to Sec. 158, of the Revised Corporation Code. The case was titled *Harvest All Investment Limited, et al. v. Annsley Bangkas, et al.*, initially docketed as I.S. No. XV-14-INV-14B-00503 at the Office of the City Prosecutor in Pasig ("OCP Pasig"). Thereafter, the same foreign corporations filed on March 11, 2014 another criminal case for alleged violation of the right to inspect, this time against the following members of the Board: Mr. SyCip, Jonathan and Alvin Dee, and Ibarra Malonzo. The case was titled *Harvest All Investment Limited, et al. v. George SyCip, et al.*, initially docketed as I.S. No. XV-14-INV-14C-00974, at the OCP-Pasig. These cases were consolidated and transferred to the DOJ and redocketed as NPS Docket Nos. XVI-INV-15B-00033 (formerly I.S. No. XV-14-INV-14B-00503) to 00034 (formerly I.S. No. XV-14-INV-14C-00974). These cases were initially dismissed; however, on December 4, 2017, the DOJ reversed its previous rulings through its Resolution dated December 4, 2017 and found probable cause to indict Mr. SyCip and his co-respondents. Mr. SyCip filed a Motion for Reconsideration dated December 19, 2017 which is currently pending resolution.

At the same time, Albert and Hedy Yap-Chua filed a petition for inspection of Alliance's corporate books and records before the Regional Trial Court of Pasig on May 12, 2014. The petition, titled *Hedy S. C. Yap-Chua, et al. v. George E. SyCip, et al.*, is docketed as Commercial Case No. 14-219 (the "Civil Inspection Case") and is currently pending before Branch 161 of the Regional Trial Court of Pasig. The petition for inspection is also based on the same Inspection Request in the abovestated criminal cases.

As a result of the issuance of the DOJ Resolution dated December 4, 2017, two (2) *Informations* for violation of Sec. 73 in relation to Sec. 158 of the Revised Corporation Code were filed in January 2018 before the Metropolitan Trial Court of Pasig ("MeTC Pasig"). The criminal cases, titled *People of the Philippines v. Annsley Bangkas, et al.*, are docketed as Criminal Case Nos. M-PSG-18-00148-CR to 00149-CR and were raffled to Branch 72 of the MeTC-Pasig. The MeTC-Pasig issued an *Order* dated February 23, 2018 finding that there is probable cause for the issuance of warrants of arrest against all of the accused including Mr. SyCip and directed the issuance of such warrants. However, the trial court failed to rule on a previously filed Motion to Suspend Due to a Prejudicial Question in relation to the Civil Inspection Case. At the hearing scheduled on April 10, 2018, the parties were given time to comment on pending incidents in the case.

Notwithstanding the existence of the legal proceedings involving Mr. SyCip, the Company does not find the same to be material to the evaluation of his ability or integrity to occupy the position of director for the current year, and to be elected again as director for the year 2018-2019.

Other than the above mentioned cases, the Corporation is neither aware of any legal proceedings of the nature required to be disclosed under Part I, paragraph (C) of Annex C, SRC Rule 12 nor is it aware of the occurrence of any of the following events, which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer or control person of the Corporation during the past five (5) years and up to the date of this Information Statement:

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 Corporation 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 Corporation; and
4. judgment against a director, person nominated to become a director, executive officer, promoter, or control person of the Corporation found by a domestic or foreign court of competent jurisdiction (in a 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.

#### **Certain Relationships and Related Transactions.**

The Corporation, in the regular and ordinary course of business, has entered into transactions with associates, affiliates, subsidiaries and other related parties principally consisting of cash advances and reimbursement of expenses, guarantees and inter-company charges.

#### **Related Party Transactions**

1. Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties.

The Company 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 the amount of outstanding balances and its terms and conditions including whether they are secure, and the nature of the consideration to be provided in settlement. The Company recognized impairment losses for the years ended December 31, 2018 and 2017 amounting to Php 0.06 million and – Nil -, respectively.

Please refer to pages 58 and 59 of the Company's 2018 consolidated audited financial statements attached herein for the Company's transactions and account balances with related parties done in the normal course of business.

2. In 2008, the Company has entered into a Joint Venture Agreement (JVA) with various landowners for the development of certain lots. Pursuant to such JVA, the landowners shall contribute the title and the interest to the lots and the Company shall provide the necessary funding 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 Company shall pay the landowners their share in net proceeds after deducting a marketing fee equivalent to 15% of the selling price. The Company recognizes the share of the landowners as liability upon sale of the related real estate inventories. These amounts are payable on demand.
3. Compensation of the Company's key management personnel consists of short-term employee benefits amounting to Php 23.86 million, Php 37.82 million, Php24.50 million, and Php 12.80 million, in 2018, 2017, 2016, and 2015, respectively. There are no post-employment benefits in 2017, 2016, and 2015. There are no agreements between the Company 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 Company's retirement plan.

### Resignation of Directors

No director has declined to stand for re-election to the Board of Directors since the date of the last annual meeting because of a disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices, and the required disclosures relevant to the existence thereof.

### Item 6. Compensation of Directors and Executive Officers

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 four (4) most highly compensated executive officers other than the CEO who served as executive officers, and all officers and directors as a Group as of August 31, 2019 (including the preceding two fiscal years, and current fiscal year – estimated only):

Name / Principal Position	Year	Salary	Bonus	Other Annual Compensation
Augusto C. Serafica Chairman/President & CEO	2016	5,180,000.00		
	2017	5,180,000.00		
	2018	5,180,000.00		
	2019	5,180,000.00		
Raul Ma. F. Anonas EVP & COO	2016	3,510,000.00		
	2017	3,600,000.00		
	2018	3,780,000.00		
	2019	3,780,000.00		
Manolo B. Tuason SVP & CFO	2016	2,470,000.00		
	2017	2,500,000.00		
	2018	2,660,000.00		
	2019	3,250,000.00		
Ricardo S. Consunji III	2016	3,822,000.00		
	2017	3,822,000.00		
	2018	3,822,000.00		
	2019	3,822,000.00		
Andres A. del Rosario SVP & Treasurer	2016	2,470,000.00		
	2017	2,500,000.00		
	2018	2,660,000.00		
	2019	3,250,000.00		
Ana Liza G. Aquino Vice President	2016	1,560,000.00		
	2017	1,600,000.00		
	2018	1,680,000.00		
	2019	2,470,000.00		
Joseph Jeeben R. Segui Vice President	2018	1,710,000.00		
	2019	2,340,000.00		
Directors	2016	1,350,000.00		
	2017	599,998.00		

2018	1,299,999.66
2019	1,285,522.88 Estimated

### Compensation of Directors

Under Section 29 of the Revised Corporation Code, in the absence of any provision in the By-Laws of the Corporation, the directors shall not receive any compensation as such directors, except for reasonable *per diem* allowance (an average of Php 25,000.00 per meeting for each director) for their attendance at each board meeting. Any such compensation, other than per diems, may be granted to directors by the vote of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting. Provided, further, that the total yearly compensation shall not be more than ten percent (10%) of the net income before income tax of the Corporation during the preceding year.

Since the date of their elections, the directors have served without compensation. The directors did not receive any amount or form of compensation for committee participation or special assignments. As of this date, no standard or other arrangements have been made in respect of director's compensation aside from the compensation received as herein stated.

There are no other arrangements pursuant to which any director of the Corporation was compensated, or is to be compensated, directly or indirectly, during the Corporation's last completed fiscal year and the ensuing year, for any service provided as a director.

### Employment Contracts and Termination of Employment and Change-in-Control Arrangements

The executive officers of the Corporation are covered by employment contracts corresponding to their respective job descriptions. There are no arrangements for compensation or payment from the Corporation in the event of a resignation, retirement or termination of the executive officer's employment or change in control of the Corporation.

### Warrants and Options

There are no options and/or warrants held by the Corporation's directors and key executives.

### Item 7. Independent Public Accountants

The Corporation's current independent public accountant recommended for re-election for the current year is SyCip, Gorres, Velayo & Co. ("SGV & Co."). Mr. Jaime F. Del Rosario is the engagement partner assigned by SGV & Co. to lead the audit of the Corporation's financial statements. SGV was the auditor for the previous fiscal year ended 2018.

In compliance with the General Requirements of SRC Rule 68, as amended, under Part 3(b)(iv)(ix), which requires that Independent Auditors or in the case of an audit firm, the signing partner of the regulated entities shall be rotated after every five (5) years of the engagement and a two (2) year cooling off period shall be observed in the re-arrangement of the same signing partner of individual auditor, the Corporation has engaged SGV & Co. as its external auditor for the past five (5) years, with Mr. Alexis Zaza as the new Partner In-Charge beginning the audit year 2016. The previous Partner In-Charge was Jose Pepito Zabat III, which handled the audit from year 2011 up to 2015.

Duly authorized representatives of SGV & Co. will be present at this year's Annual Meeting of Stockholders and are expected to respond to appropriate questions. SGV auditors will also be given the opportunity to make a presentation or statement in case they decide to do so.

The 2014 to 2018 audit of the Corporation by SGV & Co. is in compliance with the requirement that the external auditor should be rotated every five (5) years or earlier or the handling partner shall be changed.

There was no event in the past years where SGV & Co. and the Corporation had any disagreements with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The following are members of the Audit Committee, now renamed as the Audit and Risk Oversight Committee:

Chairman	:	Arsenio Benjamin E. Santos (Independent Director)
Members	:	Ramon G. Santos
		Siso M. Lao
		Victor Y. Lim

Management is requesting the stockholders to approve appointment of SGV & Co. as the external auditor of the Company for the current year 2018.

#### **Item 8. Financial and Other Information**

The Audited Financial Statement (prepared in accordance with SRC Rule 68, as amended, and Rule 68.1), Statement of Management's Responsibility as of December 31, 2018, Management's Discussion and Analysis of Financial Condition and the Results of Operation for the last three years (required under Part IV (c) of Rule 48), are attached hereto as part of the Management Report.

### **D. OTHER MATTERS**

#### **Item 9. Action with Respect to Reports**

The following items will be submitted to the shareholders for their approval or ratification pursuant to Section 49 of the Revised Corporation Code:

1. Approval of the minutes of the Annual Stockholders' Meeting held on June 21, 2018;
2. Approval of the Management Report and audited financial statements for the year ended December 31, 2018;
3. Ratification of all acts of the Board of Directors and Management from the last stockholders' meeting to the date of the stockholders' meeting;
4. Election of the Board of Directors; and
5. Approval of the appointment of SGV & Co. as the external auditor of the Corporation for the current year 2019.

Copies of the Corporation's Management Report, Audited Financial Statements for year ended December 31, 2018 is available in the website of the Corporation and may be also inspected during reasonable hours of business prior to the date of the meeting at the Corporation's principal office. Approval of the foregoing constitutes ratification by the stockholders of the Corporation's performance for the year 2018.

Approval of the Minutes of the Annual Stockholders' Meeting held on June 21, 2018 constitutes a ratification of the accuracy and faithfulness of the Minutes to the events which transpired during the meeting.

#### **Item 10. Matters Not Required To Be Submitted**

All corporate actions to be taken up at the annual stockholders' meeting will be submitted to the stockholders of the Corporation for their approval in accordance with the requirements of the Revised Corporation Code.

Matters not required to be submitted are the Call to Order and Certification of Notice and Quorum.

**Item 11. Voting Procedures**

i. Method of voting

In all items for approval except for the election of directors, each share of stock entitles its registered owner to one vote.

During the election of directors, every stockholder entitled to vote shall have the right to vote the number of shares of stock standing, in his own name on the stock books of the Corporation; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected.

At least two seats or at least 20% of the number of directors to be elected, whichever is lesser, shall be allotted for the election of independent directors as required by the SRC and Corporation's Code of Corporate Governance.

ii. The votes shall be taken and counted *viva voce* and/or by balloting.

## **PART II. INFORMATION REQUIRED IN PROXY FORM**

### **Item 1. Identification**

This proxy is solicited by the Board of Directors and Management of Premiere Horizon Alliance Corporation. The solicited proxy shall be exercised by Mr. Augusto Antonio C. Serafica, Jr., President of the Corporation or the stockholder's authorized representative.

### **Item 2. Instruction**

- a. For agenda items other than election of directors, the proxy form shall be accomplished by marking in the appropriate box either "FOR", "AGAINST" or "ABSTAIN" according to the stockholder's/proxy's preference.

For election of directors, the stockholder/proxy shall mark with an "X" the space across the name of his chosen nominee for regular and independent director.

If no instructions are indicated on a returned and duly signed proxy, the shares represented by the proxy will be voted:

FOR the approval of the minutes of the Annual Stockholders' Meeting held on June 21, 2018;  
FOR the approval of the Management Report and audited financial statements for year ended December 31, 2018;

FOR the confirmation and ratification of all acts and resolutions of Management and the Board of Directors from the date of the last stockholders' meeting to date as reflected in the books and records of the Company;

FOR the election of the following directors: Augusto Antonio C. Serafica, Jr., George Edwin Y. Sycip, Winston A. Chan, Raul Ma. F. Anonas, Ramon A. Recto, Victor Y. Lim, Siso M. Lao, Arsenio Benjamin E. Santos (Individual Director) and Ramon G. Santos (Individual Director);  
FOR the approval of the appointment of SGV & Co. as the external auditor of the Company for 2019-2020;

and to authorize the Proxy to vote according to discretion of the Company's President or Chairman of the Meeting on any matter that may be discussed under "Other Matters".  
A Proxy Form that is returned without a signature shall not be valid.

- b. The matters to be taken up in the meeting are enumerated opposite the boxes on the form. The names of the nominee directors are likewise enumerated opposite an appropriate space.
- c. The proxy forms shall be submitted to PHA on or before 5:00 p.m. of October 14, 2019 at the principal office of the Corporation. Proxy forms shall be validated until October 18, 2019, at the Corporation's principal office.

## **PLEASE USE THE ATTACHED PROXY FORM**

### **Item 3. Revocability of Proxy**

A stockholder may revoke his proxy on or before the date of the Annual Meeting. The proxy may be revoked by the shareholder's written notice to the Corporate Secretary advising the latter of the revocation of the proxy, or by a shareholder's personal attendance during the meeting.

### **Item 4. Persons Making the Solicitation**

This solicitation is made by the Corporation. No director has informed the Corporation in writing or otherwise of his intention to oppose any action intended to be taken up at the meeting.

**III. SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on September 23, 2019.

**PREMIERE HORIZON ALLIANCE CORPORATION**

By:

  
**ANA MARIA A. KATIGBAK**  
Assistant Corporate Secretary

Solicitation of proxies will be done mainly by mail. Certain employees of the Corporations will also solicit proxies in person or by telephone. The estimated amount to be spent by the Corporation to solicit proxies for the Board of Directors is Php 30,000.00. The cost of solicitation will be borne by the Corporation.

**Item 5. Interest of Certain Persons in Matters to be Acted Upon**

No member of the Board of Directors or executive officer since the beginning of the last calendar year, or nominee for election as director, or their associates, has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

The Corporation does not intend to bring any matter before the meeting other than those set forth in the notice of the annual meeting of stockholders and does not know of any matter to be brought before the meeting by others. If any other matter does come before the meeting, the proxy shall vote in the manner indicated by the stockholder, or if no such indication is made, in accordance with proxy's discretion.

*The Company will provide without charge to each person solicited, upon his written request, a copy of the Company's annual report on SEC Form 17-A duly filed with the Securities and Exchange Commission. At the discretion of Management, a reasonable fee may be charged for the expense incurred in providing a copy of the exhibits. All requests may be sent to the Company's head office and addressed to:*

Attention: Maricel Marinay  
Premiere Horizon Alliance Corporation  
Unit 1705 East Tower, Philippine Stock  
Exchange Bldg., Exchange Rd., Ortigas Center,  
Pasig City  
Telephone No.: (02) 632-7715

## MANAGEMENT REPORT

### **(A) Management's Discussion and Analysis and Plan of Operation**

The foregoing sections contain forward-looking statements that reflect our views with regard to the future plans of the Group such as operational performance, events 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 2019**

##### **West Palawan Premiere Development Corp. (WPPDC)**

WPPDC was incorporated in August 9, 2016 as a 100% owned subsidiary of PHA. It has a total of about 800 hectares of property including other properties it has acquired from other subsidiaries in Brgy. Bacungan Puerto Princesa. WPPDC has completed the master plan design for the property into various pods for development. WPPDC likewise owns a 5-hectare Nagtabon property and will in 2019 embark on the sale and development of said property into a tourist destination a branded resort hotel in the area.

##### **Premiere Georesources and Development Inc. (PGDI) – (formerly Redstone Construction and Development Corporation).**

PGDI will continue to service its principal client in Surigao. It shall increase its fleet of trucks and equipment in 2019 to replace old trucks and equipment to meet the increase in the volume of tonnage. After the increase in trucks and equipment the existing fleet of 57 heavy equipment, 104 dump trucks and about 42 service vehicles to service the requirement of its clients. PHA will distribute the 22.1% property dividend to PHA shareholders of record as of May 15, 2018 upon approval by the SEC.

##### **Concepts Unplugged Business Environment Solutions, Inc. (CUBES)**

The 51% investment in CUBES was completed in January 2015. The projected volume of business for 2016 is around 720 tons of refrigeration (TR) in Nine (9) sites around the country..

#### **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 2018 and 2017, 2016, respectively.

		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	3.80:1	3.09:1	0.71
4	Current Ratio	1.50:1	1.88:1	(0.38)
5	Return On Assets	(0.10):1	0.01:1	(0.11)

		December 31		YoY Change
		Audited 2017	Audited 2016	
1	Revenues	728,653,757	911,139,516	(182,485,759)
2	Net Income	39,163,499	47,360,874	(8,197,375)
3	Debt -to- Equity Ratio	3.09:1	2.99:1	0.10
4	Current Ratio	1.88:1	1.37:1	0.51
5	Return On Assets	0.01:1	0.01:1	-

#### I. Revenues

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.

The Group revenues in 2017 amounted to Php 728.65 million which is Php 182.49 million or 20.03% lower than the 2016 Group revenue of P 911.14 million.

#### II. Net Income

The Group net income 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.

The Group net income in 2017 amounted to Php 39.16 million which is Php 8.20 million or 17.31% lower than the 2016 Group net income of 47.36 million.

### III. Debt to Equity Ratio

The Group debt to equity ratio in 2018, 2017, and 2016 amounted to 3.80:1, 3.09:1, and 2.99:1, respectively.

### IV. Current Ratio

The Group current ratio in 2018, 2017, and 2016 amounted to 1.50:1, 1.88:1, and 1.37:1, respectively.

### V. Return on Assets (ROA)

The Group return on assets for 2018, 2017, and 2016 amounted to (0.10):1, 0.01:1, and 0.01:1, respectively.

## *Results of Operations for the last three (3) years*

### 2018

During the years 2018, 2017, and 2016, the Group recorded a net income of Php (374.47) million, Php 39.16 million, and Php 47.36 million, respectively. The following are the details of the Company's income statement accounts:

- 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 2.56 million and Php 1.65 million, respectively, which shows an increase of Php 0.91 million or 55.20%. 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 0.39 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 89.69 million and Php 85.11 million, respectively, which shows an increase of Php 4.58 million or 5.38%. 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 33.58 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 54.04%. 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 158.91 million and Php 0.58 million, respectively, which shows an increase of Php 158.33 million or 27,354.30%. 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 118.11 million and Php 95.66 million, respectively, which shows an increase of Php 92.45 million or 96.64%. 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 20.15 million and Php 26.78 million, respectively, which shows a decrease of Php 6.63 million or 24.75%. The decrease primarily

came from lower other income of GLCI. The said account is presented under Other Income (Charges).

## 2017

During the years 2017, 2016, and 2015, the Group recorded a net income of Php 39.16 million, Php 47.36 million, and Php 71.58 million, respectively. The following are the details of the Company's income statement accounts:

- 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 0.39 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 85.11 million and Php 112.47 million, respectively, which shows a decrease of Php 27.36 million or 24.33%. 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 27.59 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 37.75 million and Php 50.65 million, respectively, which shows a decrease of Php 12.90 million or 25.47%. 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 10.98 million, and General and Administrative Expense – Php 5.77 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 1.71 million, and General and Administrative Expense – Php 4.80 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 0.58 million and Php 3.48 million, respectively, which shows a decrease of Php 2.90 million or 83.33%. 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).

## 2016

Redstone Construction And Development Corporation (RCDC), a mining service subsidiary, gave 12-month-revenues in 2016 as well as in 2015. Concepts Unplugged Business Environment Solutions, Inc. (CUBES) gave twelve (12) and three (3) months revenues to the group in years 2016 and 2015, respectively. Goshen Land Capital, Inc (GLCI), a real estate subsidiary, gave twelve (12) and seven (7) months revenue to the group in 2016 and 2015, respectively. In 2016, West Palawan Premiere Development Corporation, a wholly owned subsidiary, gave five (5) months revenue to the Group. The Group posted a net income of Php47.36million in 2016 from Php71.58million of 2015 showing a 51%. The following were the major changes in the Company's income statements accounts from continuing operations:

- The Group mining service revenue in 2016 amounted to Php297.83million. This posted Php8.12million increase from 289.71million of 2015 or 2% increment. There was no material change in the Group 2016 mining service revenue compared to last year.

- The Group real estate sales in 2016 amounted to Php605.42million. This posted Php15.05million increase from Php590.37million in 2015 or 3% increment. There was no material change in the Group 2016 real estate sales compared to last year.
- The Group costs of services in 2016 amounted Php380.42million. This posted Php10.50million increase from Php369.92million costs of services in 2015 or 3% increment. There was no material movement in the costs of services.
- The Group personnel costs in 2016 amounted to Php53.29million. This posted Php13.39million increase from Php39.90million in 2015 or a 33.56% increase. The increase was mainly due to the salaries and wages of Goshen Land Capital, Inc. which the Group charged 12 months and 7 months salaries and wages in 2016 and 2015, respectively.
- The Group professional fees in 2016 amounted to Php36.50million. This posted Php9.70million decrease from Php46.20million in 2015 or 20% decrease. The decrease was mainly due to charging to land rights the professional fees incurred thereto.
- The Group depreciation and amortization in 2016 amounted to Php107.96million. This posted Php41.70million increase from Php66.26million in 2015 or 63% increase. The increase was mainly due to Php10.53million impairment of exclusive rights and the depreciation of heavy equipment acquired in the second half of 2015.
- The Group transportation and travel in 2016 amounted to Php5.13million. This posted Php1.08million increase from Php4.05million of 2015 or 27% increase. The increase was mainly due additional transportation and travel requirements of the Group in 2016.
- The Group rentals and utilities in 2016 amounted to Php11.91million. This posted Php3.10million increase from Php8.81million of 2015 or 35% increase. The increase was mainly due to the rental and utilities of Goshen Land Capital, Inc. which the Group charged 12 months and 7 months rentals and utilities expenses in 2016 and 2015, respectively.
- The Group taxes and licenses in 2016 amounted to Php6.23million. This posted Php8.64 decrease from Php14.87 of 2015 or a 58% increase. The decrease was mainly due to documentary stamp tax which the Group incurred more in 2015 on its promissory notes as compared to this year.
- The Group supplies and materials in 2016 amounted to Php.67million. There was no material change in the Group supplies and materials of this year compared to the previous year.
- The Group entertainment, amusement and recreation in 2016 amounted to Php3.85million. This posted of Php2.64million decrease from Php6.49million of 2015 or a 59% decrease. The decrease was mainly due to the decline in the Group requirement of entertainment, amusement and recreation in 2016 as compared to 2015.
- The Group did not have equity in net earnings on investment in associate in 2016 because the investment in associate was classified by the management into Assets Held for Sale as of December 31, 2015. In 2015, the Group equity in the net earnings on the investment in associate amounted to Php1.18million.
- The Group interest income from bank deposits amounted to Php2.08million. This posted an increase of Php1.61million from Php.47million of 2015 or a 247% increase. The increase was mainly due to huge amount of bank deposits in the 1<sup>st</sup> half of 2016.



- The Group impairment losses in 2016 amounted to Php3.48million. This posted a decrease of Php3.42million from Php6.90million of 2015 or a 98% decrease. The decrease was due to the lesser amount assets to be impaired found by the management in 2016 as compared to last year.
- The Group interest expenses in 2016 amounted to Php129.79million. This posted an increase of Php72.75million increase from Php57.34 of 2015 or a 44% increase. The increase was due to the increase in interest on the loans which the Group availed more in the middle second half of 2015.

## FINANCIAL POSITION

### 2018

The Company's total assets as of December 31, 2018 and 2017 amounted to Php 3,745.16 million and Php 4,096.55 million, respectively, which shows a decrease of Php 351.39 million or 8.58%. The Company's total liabilities as of December 31, 2018 and 2017 amounted to Php 2,964.51 million and Php 3,094.38 million, respectively, which shows a decrease of Php 129.87 million or 4.20%. 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 assets – current portion as of December 31, 2018 and 2017 amounted to Php 1,0282.15 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 703.03 million and Php 907.37 million, respectively, which shows a decrease of Php 204.34 million or 22.52%. 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 133.22 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 159.70 million and Php 236.04 million, respectively, which shows a decrease of Php 76.35 million or 32.34%. 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.

## 2016

At the end of **2016**, the Company's total assets were valued at Php3.68billion from Php3.38billion of 2015 or 9% growth from last 2015; total liabilities were valued at Php2.75billion from Php2.53billion of 2015 or 9% increase from 2015; and total equity was valued at Php933.71million from Php861.19million of 2015 or 8% higher than 2015. The equity attributable to non-controlling interest was valued at Php534.03million in 2016 from Php500.81million of 2015 or a 6% growth from last year.

The following are the causes for the material changes, i.e. those amounting to five percent (5%) of the relevant accounts:

- Cash – Cash decreased to Php90.31million in 2016 from Php143.78million of 2015 showing 4% decrement from 2015. The cash provided by financing activities amounted to Php23.61million in 2016. While, the cash used in the operating and investing activities amounted to Php56.46million and Php20.63million, respectively, in 2016.
- Receivables - As at December 2016, the Group receivables amounted to Php1.53billion from Php1.31billion of 2015. The majority of which came from the sale of the real estate of Goshen Land Capital, Inc. (GLCI) a subsidiary engaged in real estate business. The balance of the receivables as at December 31, 2016 was 18% higher than that of 2015.
- Real Estate Held For Sale – As of December 31, 2016, the Group real estate held for sale had a carrying amount of Php723.28million from Php673.39million of 2015 or 7% growth.
- Other current assets – As of December 31, 2016, the Group other current assets had a carrying amount of Php206.23million or a 5% growth from 2015 with balance of Php196.36million.
- Intangible assets – As at December 31, 2016, the Group intangible assets had a carrying amount of Php159.33million from Php175.17million of 2015. There was 9% or Php15.84million decrease in intangible assets. The decrease was due to the impairment of exclusive rights to distribute of Concepts Unplugged Business Environment Solutions, Inc. (CUBES) engaged in refrigeration business and the film rights of the Group.
- Investment property – As at December 31, 2016 and 2015, the investments property had carrying value of Php399.95million and Php273.00million, respectively or an increase of Php126.75million or 46% higher than that of 2015. The increase in carrying value were from the appraisal increase of the land amounted to Php158.94million or 58% increase from 2015. Investment in property were carried at fair market value of the investment property as at reporting date.
- Property and equipment – As at December 31, 2016 and 2015, the Group Property and Equipment had carrying amount of Php391.10million and Php479.06million, respectively. There was no major addition to the property and equipment, and the decrease in value were from the depreciation recognized in 2016.
- Trade and other payables – As at December 31, 2016, the Group trade and payables amounted to Php1.09billion or 17% higher than that of 2015. The increase were mainly due to the increase in accrued expenses of the Group.

- Short-term loans – As at December 31, 2016, the Group short-term loans amounted to Php211.05million or 16% higher than that of 2015. In 2016 the Company availed of short-term loans amounted to Php29.52million due to the financing requirements of the Group for additional working capital requirements of subsidiaries.
- Income tax payable – The Group recorded Php.88million corporate income tax payable of 2016 a 196% higher than that of 2015.
- Obligations under finance lease – As at December 31, 2016, the Group finance lease obligations had a carrying amount of Php57.09million an increase of Php57.09million or 100% higher than that of 2015. The increase was due to the availment of the Group of the loans through the finance lease.
- Installment payable – As of December 31, 2016, the Group installment payable had carrying amount of Php28.00million from Php179.00million or 84% decrease. The decrease due to amortization payment of the loan in 2016.
- Loans payable – As at December 31, 2016 the Group loan payable amounted to Php631.45million a 99% higher than 2015. The increase was due to the availment of additional loan.
- Pension liabilities – As at December 31, 2016 and 2015 the balance of the pension liabilities was Php19.12million and Php15.44million, respectively, or an increase of Php3.68million or 24% higher from the 2015. The increase was due to re-measurement of pension costs.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company and its subsidiaries use the following key performance indicators: 1) **revenues**; 2) **gross profit / loss**; 3) **gross profit ratio** (computed as gross profit divided by the gross revenues); 4) **net income / loss**; 5) **net profit ratio** (computed as net profit divided by the gross revenues); 6) **net profit attributable to parent**; 7) **12 months trailing net income (loss)** (computed as year to date net income (loss) plus net income of the latest annual income minus the previous year to date net income (loss)); 8) **12 months trailing net income (loss) per share** (computed as 12 months trailing net income (loss) divided by weighted average number of shares); 9) **debt-to-equity ratio** (computed as total liabilities divided by total Stockholders' Equity); 10) **current ratio** (computed as total current assets divided by total current liabilities); 11) **debt ratio** (computed as total liabilities divided by total assets); and 12) **return on investment** (computed as net income divided by investment).

		June 30, 2019	June 30, 2018	Inc/(Dec)
1.	Revenues	Php266,114	Php243,030	23,084
2.	Gross Profit / Loss	Php101,497	Php88,934	7,515
3.	Gross Profit/Loss Ratio	38%	37%	1%
4.	Net Profit / Loss	Php (99,097)	Php (55,401)	(43,696)
5.	Net Profit / Loss Ratio	-37%	-23%	-14%
6.	Net Profit / Loss attributable to Parent	Php (77,848)	Php (47,775)	(30,073)

7.	12 months trailing net income (loss)	Php (418,163)	Php22,319	(440,482)
8.	Trailing 12months earnings(loss) per share basic	(0.2)	0.01	(0.21)
		<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>Inc/(Dec)</b>
9.	Debt -to- Equity Ratio	4.65:1	3.80:1	0.85
10.	Current Ratio	1.42:1	1.50:1	(0.08)
11.	Debt Ratio	1.22:1	1.26:1	(0.04)
12.	Return on Assets	-0.05:1	-0.10:1	(0.15)

During the 2<sup>nd</sup> quarter of 2019 the Group generated gross revenues of Php266,144 thousand broken down into Php77,804 thousand from real estate sales and Php188,309 thousand from mining related services.

Gross profit in the 2<sup>nd</sup> Quarter of 2019 and 2018 amounted to Php101,497 thousand and Php 88,934 thousand, respectively, which shows an increase of Php12,563 thousand or 14.13%.

The Group's net loss attributable to the equity holder of the parent in the 2<sup>nd</sup> Quarter of 2019 and 2018 amounted to Php77,848 thousand and Php47,775 thousand, respectively, which shows an increase of Php30,073 thousand or 62.95%.

The Group's 12 months trailing net income(loss) in the 2<sup>nd</sup> Quarter of 2019 and 2018 amounted to Php (418,163) thousand and Php 22,319 thousand, respectively, which shows a decrease of Php 440,482 thousand 1,974%.

The Group's trailing net income (loss) per share in the 2<sup>nd</sup> Quarter of 2019 and 2018 amounted to (0.2) and 0.01 thousand, respectively, which shows a decrease of 0.21.

The Debt-to-Equity Ratio is 4.65:1 and 3.80:1 in the 2<sup>nd</sup> quarter of 2019 and year end 2018, respectively.

The Current Ratio is 1.42:1 and 1.50:1 in the 2<sup>nd</sup> quarter of 2019 and year end 2018, respectively.

The Debt Ratio is 1.22:1 and 1.26:1 in the 2<sup>nd</sup> quarter of 2019 and year end 2018, respectively.

The Return on Assets is -0.05:1 and -0.10:1 in the 2<sup>nd</sup> quarter of 2019 and year end 2018, respectively.

There were no events that triggered direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

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

The following are the causes for the material changes, i.e. those amounting five percent (5%) of the relevant accounts or such lower amount, between this period versus the previous, on a vertical and horizontal basis of analyses:



## Financial Position

- **Cash** – As of June 30, 2019 and December 31, 2018, this account amounted to Php70,091 thousand and Php68,980 thousand, respectively, which shows a decrease of Php1,111 thousand or 1.61%. Cash provided by operating activities amounted to Php38,322 thousand; cash used in investing activities amounted to Php143,181 thousand; while cash provided by financing activities amounted to Php105,970 thousand; the said cashflows represents the net decrease during the reporting period.
- **Contract Assets** – As of June 30, 2019 and December 31, 2018, this account amounted to Php1,051,709 thousand and Php1,028,154 thousand, respectively, which shows an increase of Php23,555 thousand or 2.29%. The increase primarily came from the additional uncollected contract assets during the reporting period.
- **Receivables, net** – As of June 30, 2019 and December 31, 2018, this account amounted to Php103,289 thousand and Php86,341 thousand, respectively, which shows an increase of Php16,948 thousand or 19.63%. The increase primarily came from the additional uncollected receivables during the reporting period.
- **Real Estate Held for Sale** – As of June 30, 2019 and December 31, 2018, this account amounted to Php1,583,887 thousand and Php1,606,444 thousand, respectively, which shows an increase of Php22,557 thousand or 1.40%. This account did not have a material change during the reporting period.
- **Other current assets** – As of June 30, 2019 and December 31, 2018, this account amounted to Php152,960 thousand and Php92,360 thousand, respectively, which shows an increase of Php60,600 thousand or 65.61%. The increase primarily came from the additional advances made to suppliers and contractors, and the current portion of deferred input VAT of the heavy equipment acquired during the reporting period.
- **Deferred Exploration Cost** – As of June 30, 2019 and December 31, 2018, this account both amounted to Php390,197 thousand. This account did not have a material change during the reporting period.
- **Property and equipment, net** – As of June 30, 2019 and December 31, 2018, this account amounted to Php370,013 thousand and Php294,916 thousand, respectively, which shows a net increase of Php75,097 thousand or 25.46%. The increase primarily came from the additional heavy equipment acquired during the reporting period.
- **Other noncurrent assets** – As of June 30, 2019 and December 31, 2018, this account amounted to Php55,841 thousand and Php45,828 thousand, respectively, which shows an increase of Php10,013 thousand or 21.85%. The increase primarily came from the noncurrent portion of deferred input VAT of the heavy equipment acquired during the reporting period.
- **Trade and other payables** – As of June 30, 2019 and December 31, 2018, this account amounted to Php857,488 thousand and Php703,034 thousand, respectively, which shows an increase of Php154,454 thousand or 21.97%. The increase primarily came from unpaid accruals.
- **Short-term debt** – As of June 30, 2019 and December 31, 2018, this account amounted to Php247,700 thousand and Php243,895 thousand, respectively, which shows an increase of Php3,805 thousand or 1.56%. The increase came from the additional short-term debt availed during the period.
- **Income tax payable** – As of June 30, 2019 and December 31, 2018, this account amounted to Php4,106 thousand and Php665 thousand, respectively, which shows an

increase of Php3,441 thousand or 517.39%. The increase came from the additional taxable income during the period.

- **Loans payable** – As of June 30, 2019 and December 31, 2018, this account amounted to Php1,044,271 thousand and Php1,041,264 thousand, respectively, which shows an increase of Php3,007 thousand or 0.29%. Current and noncurrent portion as of June 30, 2019 amounted to Php677,830 Thousand and Php366,441 Thousand, respectively. This account did not have a material change during the reporting period.
- **Obligations under finance lease** – As of June 30, 2019 and December 31, 2018, this account amounted to Php4,747 thousand and Php7,823 thousand, respectively, which shows a decrease of Php3,076 thousand or 39.33%. Current and noncurrent portion as of June 30, 2019 amounted to Php707 Thousand and Php4,039 Thousand, respectively. The decrease primarily came from the payments made during the reporting period.
- **Installment payable** – As of June 30, 2019 and December 31, 2018, this account amounted to Php106,614 thousand and Php13,555 thousand, respectively, which shows an increase of Php93,059 thousand or 686.53%. Current and noncurrent portion as of June 30, 2019 amounted to Php8,648 Thousand and Php96,966 Thousand, respectively. The increase came from the additional loans for the acquisition of heavy equipment.
- **Convertible loans** – As of June 30, 2019 and December 31, 2018, this account amounted to Php463,925 thousand and Php465,425 thousand, respectively, which shows a decrease of Php1,500 thousand or 0.32%. This account did not have a material change during the reporting period.

#### Performance

- **Revenues** - The Group's revenues in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php266,114 thousand and Php243,030 thousand, respectively, which shows an increase of Php23,084 thousand or 9.50%.

Revenue from the real estate sales in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php77,804 thousand and Php136,757 thousand, respectively, which shows a decrease of Php58,953 thousand or 43.11%. This is due primarily to the decrease in new sales and lower recognized sales via percentage of completion.

Revenue from the mining related services in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php188,309 thousand and Php106,273 thousand, respectively, which shows an increase of Php82,036 thousand or 77.19%. This is due primarily to the increase in the volume of ore extracted/and hauled.

- **Cost of real estate sold** – The Group's cost of real estate sold in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php50,934 thousand and Php72,206 thousand, respectively, which shows a decrease of Php21,272 thousand or 29.46%. The costs of the real estate sold decreased due to the slowdown of construction works.
- **Cost of services** – The Group's cost of services in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php113,682 thousand and Php81,890 thousand, respectively, which shows an increase of Php31,792 thousand or 38.82. The Cost of services increased due to the higher direct costs from the increase in the volume of ore extracted/and hauled.
- **Personnel Costs** – The Group's personnel costs in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php39,311 thousand and Php22,488 thousand, respectively, which shows an increase of Php16,823 thousand or 74.81%. The increase primarily came from the increase in salaries and additional personnel.

- **Professional and legal fees** – The Group's professional and legal fees in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php15,579 thousand and Php11,309 thousand, respectively, which shows an increase of Php4,270 thousand or 37.76%. The increase primarily came from the additional and increase in fees charged by professionals.
- **Advertising** – The Group's advertising expenses in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php10,464 thousand and Php13,816 thousand, respectively, which shows a decrease of Php3,352 thousand or 24.26%. The decrease primarily came from the lower requirements of operations.
- **Taxes and licenses** – The Group's taxes and licenses in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php10,036 thousand and Php4,941 thousand, respectively, which shows an increase of Php5,095 thousand or 103.12%. The increase primarily came from the higher taxes and taxable transactions incurred by the Group.
- **Depreciation and amortization** – The Group's depreciation and amortization in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php8,767 thousand and Php8,335 thousand, respectively, which shows an increase of Php432 thousand or 5.18%. The increase primarily came from the increase in depreciable assets due to the acquisition of heavy equipment.
- **Entertainment, amusement and recreation** – The Group's entertainment, amusement and recreation in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php4,294 thousand and Php2,866 thousand, respectively, which shows an increase of Php1,428 thousand or 49.83%. The increase primarily came from the increased in the requirements of operations.
- **Rent, utilities, and supplies** – The Group's rent, utilities, and supplies in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php4,117 thousand and Php5,112 thousand, respectively, which shows a decrease of Php1,005 thousand or 19.61%. The decrease primarily came from the decrease in the requirements of operations.
- **Transportation and Travel** – The Group's transportation and travel in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php4,073 thousand and Php4,659 thousand, respectively, which shows a decrease of Php586 thousand or 12.57%. The decrease primarily came from the lower requirements of operations.
- **Repairs and maintenance** – The Group's repairs and maintenance in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php1,911 thousand and Php861 thousand, respectively, which shows an increase of Php1,050 thousand or 121.97%. The increase primarily came from additional repairs undertaken during the period.
- **Other Expenses** – The Group's other expenses in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php14,134 thousand and Php13,251 thousand, respectively, which shows an increase of Php883 thousand or 6.66%. The increase primarily came from the additional requirements of operations.
- **Other income - net** – The Group's other income -net in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php16,632 thousand and Php11,376 thousand, respectively, which shows an increase of Php5,256 thousand or 46.20%. The increase primarily came from higher service income earned from operations during the first half of 2019.
- **Interest income** – The Group's interest income in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php23 thousand and Php29 thousand, respectively, which shows a decrease of Php6 thousand or 22.14%. The decrease primarily came from the lower balance of interest earning assets.

- **Interest expense** – The Group's interest expense in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php97,875 thousand and Php68,092 thousand, respectively, which shows an increase of Php29,783 thousand or 43.74%. The increase primarily came from the additional interest-bearing loans during the first half of 2019.
- **Provision for income tax (benefit)** –The Group's provision for income tax (benefit) in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php6,686 thousand and nil, respectively. This came from the taxable income of a subsidiary.

For assessing impairment of goodwill, a test of impairment is performed annually or when circumstances indicate that the carrying value may be impaired.

There were no seasonal aspects that had any material effect on the financial condition or results of operation.

During the 2<sup>nd</sup> quarter of 2019 the Group's gross revenues and net loss amounted to Php266,114 thousand and Php99,097 thousand, respectively; while, in 2018 the same amounted to Php243,030 thousand and Php55,401 thousand, respectively. In the 2<sup>nd</sup> quarter of 2019 and 2018, The equity holder of the Parent amounted to Php 77,848 thousand and Php47,775 thousand in net loss, respectively.

As of the June 30, 2019 and December 31, 2018, The Group's total assets amounted to Php3,909,927 thousand and Php3,745,159 thousand, respectively; the total liabilities of the same period amounted to Php3,217,702 thousand and Php2,964,512 thousand, respectively.

The Parent Company incorporated West Palawan Premiere Development Corp. as a 100% owned subsidiary.

The Parent Company increased its ownership interest in Redstone Construction and Development Corporation to 80%. The increase took effect in the 1<sup>st</sup> half of 2015.

In the 1<sup>st</sup> half of 2015, the Company acquired Goshen Land Capital, Inc. and obtained a 55% ownership thus gaining control.

In 1<sup>st</sup> half of 2015, the Parent Company increased its ownership to the Concepts Unplugged: Business Environment Solutions, Inc. (CUBES) an affiliate in 2014. The increase in ownership gave the parent the power to control.

In 1<sup>st</sup> half of 2015, the Parent Company increased its ownership to the Concepts Unplugged: Business Environment Solutions, Inc. (CUBES) an affiliate in 2014. The increase in ownership gave the parent the power to control.

## **Financial Statements**

The Company's consolidated Financial Statements are duly filed as part of this Annual Report. The SEC Form 17-Q for the quarterly period ended June 30, 2019 is attached to this Information Statement.

## **(B) Information on Independent Auditor and Other Related Matters**

## (1) External Auditor's Fees and Services

### a) Audit Fees

The Company has engaged SGV & Co. as its external auditor for the last six (6) fiscal years. SGV & Co. 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 & Co. (VAT exclusive) were Php 695,000.00 Php 1,770,000 and Php 1,541,000, for 2018, 2017 and 2016 respectively.

### b) Tax Fees

Aside from the aforementioned activities, the Company or any of its subsidiaries has not engaged SGV & Co. for any other service.

### c) All Other Fees

Aside from the audit fees disclosed under letter (a) above, the Company has not engaged any other services or products of SGV & Co. for the last five (5) fiscal years.

### d) Audit Committee's Approval Policies and Procedures

- Review the financial reporting and disclosures
- Ensure accounting policies and principles are adhered to
- Review the internal control process used
- Ensure regulatory requirements have been complied with

## (2) Changes in and Disagreements with Independent Auditors on Accounting and Financial Disclosure

During the course of the audit, the Company and SGV & Co. did not have any material disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

## (C) Market Information

### (1) Market Price and Dividends

The common shares of the Company are traded on the Philippine Stock Exchange ("PSE") under the symbol "PHA". The Company's closing price as of August 31, 2019, was Php 0.58. As of September 26, 2019, the Company's closing price was Php0.56.

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 2015 to 2018.

	HIGH				LOW			
	2019	2018	2017	2016	2019	2018	2017	2016
1st Quarter	1.06	0.37	0.44	0.44	1.00	0.34	0.43	0.42
2nd Quarter	0.85	0.36	0.40	0.43	0.82	0.325	0.39	0.42
3rd Quarter		0.39	0.39	0.41		0.375	0.39	0.41
4th Quarter		0.33	0.36	0.48		0.32	0.35	0.45

As of August 31, 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	1,616,439,876	81.21%
PCD NOMINEE CORPORATION (NON-FILIPINO)	Foreign	156,112,303	7.84%
AUGUSTO C. SERAFICA, JR	Filipino	70,000,001	3.52%
SISO M. LAO	Filipino	55,000,000	2.76%
TEOFILO A. 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 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%
<b>TOTAL TOP 20 SHAREHOLDERS</b>		<b>1,988,567,180</b>	<b>99.90%</b>
<b>TOTAL OUSTANDING SHARES</b>		<b>1,990,480,889</b>	<b>100.00%</b>

### (3) Dividends

PHA has declared a 22.1 % property dividend of it Redstone Construction and Development Corp. (RCDC) to stockholders of record May 15, 2018 equivalent of 268 million shares at the new par value of Php 0.10 per share 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 applicable taxes. The dividend will come from the unrestricted retained earnings as of December 31, 2017. The property dividend ratio will be at 1,346 shares of RCDC for every 10,000 PHA shares.

On December 18, 2013, the Board of Directors of DSI approved the declaration of a total of Php78.0 million as stock dividend from its un-appropriated retained earnings. Payment is subject to approval by the Securities and Exchange Commission of the increase in authorized capital stock.

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. 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 Php0.30 per share or at Php0.05 above par value. The three (3) subscribing directors are: Mr. Augusto Antonio C. 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.

#### **(5) Interim Financial Statement**

The interim financial statement as of June 30, 2019 is incorporated in the 17-Q report.

### **D. CORPORATE GOVERNANCE**

#### **Compliance with Leading Practice on Corporate Governance**

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and senior management with the PHA Manual of Corporate Governance ("Manual") is vested by the Board of Directors on the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual. The Compliance Officer has certified that the Company has substantially adopted all the provisions of the Manual and there has been no deviation. Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of the Company and its shareholders.

The original Manual of Corporate Governance was adopted on July 1, 2002. Pursuant to SEC Memorandum No. 6, the Company revised its Manual of Corporate Governance on September 16, 2009. The Company accomplished and submitted its Corporate Governance Scorecard Survey for Publicly Listed Companies. In compliance, the Board of Directors and Key Management officers of the Corporation have attended Corporate Governance seminars and will continue to do so on an annual basis. To measure the extent of compliance with the Manual, the Company conducted self-assessment and submitted its first Governance Self Rating, which reported no significant deviation, to SEC and PSE on July 25, 2003. The Company conducted a self-assessment in 2011 when it participated in the Corporate Governance Scorecard for Publicly Listed Companies, which was administered by the Institute of Corporate Directors, SEC and PSE. The Scorecard was submitted on November 25, 2011. Additionally, the Company submitted its Corporate Governance Guidelines Disclosure Survey on March 28, 2012 to the PSE. It has continued to accomplish and submit the same disclosure template survey every year. In July and December 2016, 8 Directors and 11 Key Officers of the Company attended a Corporate Governance Training conducted by ROAM Inc.

The Company has also established an evaluation system to measure or determine the level of compliance of the Board of Directors and top level management with its Revised Manual of Corporate Governance ("Manual") that included the continuous monitoring of the Board members' attendance in its board meetings and various committee meetings. The Certification on the Attendance of the individual members of the Board of Directors is submitted annually to the SEC and the PSE. Moreover, the attendance and participation of the members of the Board of Directors and the senior

management of the Company in seminars and trainings on Corporate Governance are also monitored and submitted to the SEC and PSE.

The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of sound strategic business management and will therefore undertake every effort necessary to continuously create awareness within the organization and improve compliance.

On March 27, 2014, the Board of Directors approved further amendments to the Manual to reflect the requirements of the SEC on the annual training requirement of directors and key officers of the Company, and the requirements on the reporting of compliance with the Manual. On December 8, 2016, the Board of Directors amended the Manual pursuant to the Code of Corporate Governance for Publicly Listed Companies issued by the SEC under its Memorandum Circular No. 16, series of 2016. The new Manual was made effective January 1, 2017.

#### **Board Committees**

To further comply with the leading practices on good Corporate Governance, the Company, through its Board of Directors, adopted and approved its Charters of the Audit Committee, Nominations Committee and Compensation Committee. During the special meeting of the board of directors on February 6, 2018, the Audit Committee was renamed as the Audit and Risk Oversight Committee, while the Nominations and Compensation Committees have been joined together and renamed as the Corporate Governance Committee. The establishment of the Related Party Transactions Committee was also approved on even date

The Corporate Governance Committee was constituted to accept and to pre-screen nominees for election as independent directors conformably with the criteria prescribed under existing SEC rules and the Company's Code of Corporate Governance; to prepare and to make available to the SEC and the stockholders before the stockholders' meeting a final list of candidates; to establish a formal and transparent procedure for developing a policy on executive remuneration, and for fixing the remuneration packages of corporate officers and directors.

#### **Executive Committee**

Chairman: George Edwin Y. Sycip  
Members: Augusto Antonio C. Serafica, Jr.  
Raul Ma. F. Anonas  
Winston A. Chan  
Secretary: Atty. Stephen E. Cascolan

#### **Audit and Risk Oversight Committee**

Chairman: Arsenio Benjamin E. Santos (Independent Director)  
Members: Ramon G. Santos (Independent Director)  
Winston Chan  
Siso Lao

#### **Corporate Governance Committee**

Chairman: Ramon G. Santos (Independent Director)  
Members: Arsenio Benjamin E. Santos (Independent Director)  
Victor Y. Lim

#### **Related Party Transactions Committee**

Chairman: Winston A. Chan  
Members: Victor Y. Lim  
Ramon A. Recto

#### **Code of Business Conduct and Ethics**



The Company has also adopted a Code of Ethics last September 16, 2009. Under this Code, the Board of Directors, officers, management and staff committed themselves to conduct business in accordance with the highest ethical standards and shall discharge their duties with utmost responsibility, integrity, transparency, competence, loyalty and will uphold corporate interest over personal gains.

### **Corporate Social Responsibility**

#### **Premiere Leadership and Countryside Engagement Series (PLACE)**

Premiere Horizon Alliance Corporation will be working with different partners in the fulfillment of its commitment to invigorate the countryside and improve the leadership potential of micro and small entrepreneurs to make them more competitive in the ASEAN Economic Community integration beginning 2015.

Premiere Horizon Alliance Corporation will sponsor and hold leadership training modules to SME entrepreneurs thereby raising the capacity for leading and sustaining change in the countryside.

The scope of the PLACE Program is nationwide and will be done on a quarterly basis.

#### **Film Legacy Project**

Premiere Horizon has ownership of thousands of original films, it will institute a Film Legacy Project in partnership with the National Library and different private museums. Film showing projects will also be done in schools.

***UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S ANNUAL REPORT IN SEC FORM 17- A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.***

***ALL REQUESTS MAY BE SENT TO THE FOLLOWING:***

**PREMIERE HORIZON ALLIANCE CORPORATION**

***1705 East Tower, Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center, 1605 Pasig City  
Metro Manila, Philippines  
Attention: Maricel Marinay***



**MARKETS AND SECURITIES REGULATION DEPARTMENT**

18 September 2019

**PREMIERE HORIZON ALLIANCE CORPORATION**  
Unit E-1705, 17/F, East Tower PSE Center Exchange Road  
Ortigas Center, Pasig City, Philippines 1200  
Fax No. 819-2724

**ATTENTION: ANA MARIA A. KATIGBAK**  
Assistant Corporate Secretary

Gentlemen:

This refers to your letter which was filed on 17 September 2019, requesting that PREMIERE HORIZON ALLIANCE CORPORATION's (Corporation) Definitive Information Statement (DIS) and related materials be made available to stockholders in digital versions through (a) Quick Response (QR) Code and (b) a link to the Corporation's website containing copies of the DIS.

Please be advised that the Commission allows the distribution of DIS through a verifiable soft copy pursuant to the E-Commerce Law and Rule 20.3.1 of the 2015 Amended Implementing Rules and Regulations of the SRC (SRC IRR). The said provision of the SRC IRR states that:

In the conduct of annual or other stockholders' meetings, the Issuer shall transmit either a written or **verifiable soft copy** of the information statement and proxy form (in case of a proxy solicitation) containing the information specified under SEC Form 20-IS, and a management report under SRC Rule 20.4, if applicable, to every security holder of the class entitled to vote. (emphasis supplied)

The distribution in QR Code is subject to the following conditions:

1. Hard copies of the said documents shall, upon request by shareholders, be given within the period required under the Rules;
2. The shareholders shall be informed that the hardcopy of the documents shall be provided upon their request; and
3. The distribution of the DIS through QR Code shall be accompanied by written notice informing the stockholders of the date, time, venue, and agenda of the Stockholders' Meeting for the benefit of shareholders that are not computer literate or do not have access to computers.

This permission only pertains to the specific request of using QR Code for the distribution of DIS, and shall not be construed to allow the use of other forms of data storage materials.

Very truly yours,

  
**VICENTE GRACIANO P. FEO ZMENIO JR.**  
Director

# COVER SHEET

1 4 7 5 8 4

SEC Registration  
Number

PREMIERE HORIZON ALLIANCE  
CORPORATION

(Company's Full Name)

UNIT 1705 17TH FLOOR, EAST TO  
WER PHILIPPINE STOCK EXCHANGE  
CENTRE, EXCHANGE ROAD ORTIGAS  
CENTER, PASIG CITY

RAUL MA. F. ANONAS

Contact Person

Tel No. 632-7715

Company Telephone Number

## SEC FORM 17-C

### Postponement of Annual Stockholders' Meeting

1 2      3 1  
Month      Day  
Fiscal Year  
Meeting

FORM TYPE

0 5                      
Month      Day  
Annual

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings  
Domestic      Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

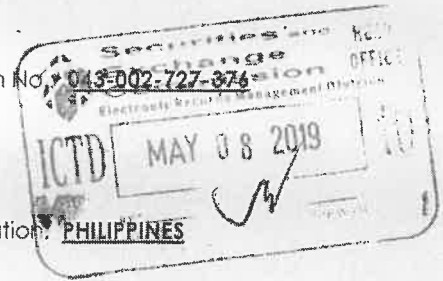
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2 (C) THEREUNDER

- 1. Date of Report: 08 May 2019
- 2. SEC identification number: 147584
- 3. BIR Tax Identification No. 045-002-727-876
- 3. Exact name of registrant 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 registrant's principal office:  
Unit 1705, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City
- 8. Registrant's telephone number, including area code: (02) 632-7715
- 9. Former name, former address and former fiscal year, if changed since last report: NOT APPLICABLE
- 10. Securities registered pursuant to Sections 8 & 12 of the Code, or Sections 4 & 8 of the RSA:



Postal Code  
1605

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>COMMON STOCK P 0.25 PAR VALUE</u>	<u>1,990,480,889 COMMON SHARES</u> 1,815,480,889 Issued and Listed

11. Item number/s reported herein:


**Item 9. Other Events**

**POSTPONEMENT OF ANNUAL STOCKHOLDERS' MEETING OF PREMIERE HORIZON ALLIANCE CORPORATION**

Please be advised that the Annual Stockholders' Meeting of Premiere Horizon Alliance Corporation (the "Company") which under the by-Laws shall be held in the month of May on a day to be fixed by the Board of Directors has been postponed to a later date. The reason for the postponement is to allow for time preparation of reports on matters which are being considered for presentation to the stockholders' at the annual meeting.

SIGNATURE

Premiere Horizon Alliance Corporation

Issuer  
  
**MARLOLO B. TUASON**  
Deputy Corporate Information Officer

08 May 2019  
Date

REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY ) S.S:

**SECRETARY'S CERTIFICATE**

I, **ANA MARIA A. KATIGBAK**, of legal age, Filipino, with office address at the 3<sup>rd</sup> Floor, The Valero Tower, 122 Valero Street, Salcedo Village, Makati City, after having been duly sworn to in accordance with law, do hereby depose and state that:

1. I am the duly elected and qualified Asst. Corporate Secretary of **PREMIERE HORIZON ALLIANCE CORPORATION** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines with principal office address at Unit E-1705, 17/F East Tower PSE Exchange Road Ortigas Center, Pasig City, Philippines.
2. I hereby certify that none of the Corporation's Regular Directors, Independent Directors and Officers are appointed or employed in any government agency.

IN WITNESS WHEREOF, this Certificate was signed and issued this SEP 24 2019 day of September 2019 at Makati City, Philippines.

  
**ANA MARIA A. KATIGBAK**  
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this SEP 24 2019 at Makati City by affiant whose identity I have confirmed through her Passport No. P1893381A issued on February 7, 2017 in Manila, bearing the affiant's photograph and signature.

Doc. No. 256;  
Page No. 53;  
Book No. XI;  
Series of 2019.



  
**DAISY MARGARET V. DUCEPEC**  
Appointment No. M-29  
Notary Public for Makati City  
Until December 31, 2020  
Castillo Laman Tan Pantaleon  
& San Jose Law Firm  
The Valero Tower, 122 Valero Street  
Salcedo Village, Makati City  
PTR No. 7333543;01-03-2019;Makati City  
IBP No. 060017;01-03-2019;Makati Chapter  
Roll No. 70138

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARSENIO BENJAMIN E. SANTOS**, Filipino, of legal age and a resident of Unit 23C South Tower, Pacific Plaza Towers, Pacific Avenue, Fort Bonifacio, Taguig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of PREMIERE HORIZON ALLIANCE CORPORATION (the "Company") and have been its independent director since 2018.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Southwest Maritime Group of Companies	President & CEO	1993-Present
Chiba Marine Repair, Inc.	President	1988-Present
Link Edge, Inc.	Director	2001-Present
Islas Tanker Holdings	Director	1980-Present
Shuwa Kaiun Kaisha Ltd. (Tokyo, Japan)	Director	1980-Present
American Bureau of Shipping	Member	1999-Present
Nippon Kaiji Kyokai (NK)	Chairman	1998-Present
Bureau Veritas	Member	1996-Present
Batangas Bay Carriers, Inc.	Director	1991-1993
National Marine Corp.	Director	1988-1993
Westwind Shipping Corp.	Managing Director	1980-1993
Filipino Shipowners Assoc.	Director/Treasurer	1980-1993
Baliwag Navigation, Inc.	Managing Director	1970-1993
Victoria Shipping Lines, Inc.	Executive Assistant	1970-1972

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am NOT related to any director/officer/substantial shareholder of the Company and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.


6. I am not in government service or affiliated with a government agency or a GOCC as would require written permission or consent from the head of the agency/department for me to be an independent director of the Company, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

Done, this SEP. 06 2019 day of \_\_\_\_\_, at MAKATI CITY.

  
**ARSENIO BENJAMIN E. SANTOS**  
 Affiant

SUBSCRIBED AND SWORN to before me this SEP 06 2019 day of \_\_\_\_\_ at MAKATI CITY, affiant personally appeared before me and exhibited to me his/her Passport No. EC2699555 issued at DFA, MANILA on November 12, 2014.

Doc. No. 237 :  
 Page No. 49 :  
 Book No. 979 :  
 Series of 2019.

  
**RUBEN T. M. RAMIREZ**  
 NOTARY PUBLIC  
 UNTIL DEC. 31, 2019  
 IBP NO. 058333/1-3-2019 CY 2019  
 ROLL NO. 28947/MCLE 6 / 3-22-19  
 PTR NO. MKT. 7333572/1-5-19 APPT. NO. M-123  
 MAKATI CENTRAL POST OFFICE

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RAMON G. SANTOS**, Filipino, of legal age and a resident of 35 Evangelista Street AFPOVAL, Taguig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of PREMIERE HORIZON ALLIANCE CORPORATION (the "Company") and have been its independent director since 2018.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Philippine Military (ARMY)	Brigadier General	1973-2005
Office of the Presidential Adviser for the Peace Process (OPAPP)	Undersecretary	October 2005
DENR	Under Secretary for Social Mobilization	2006-2007
DOE	Usec for Renewable Energy	2007-2010
Office of Civil Defense (NDRRMC)	Director	2010-2014
Office of Civil Defense (ARMM)	Executive Director	2010-2015
Office of Senator Pia Cayetano	Regent to State University as Senate Representative	2014-2017
Institute of Graduate Studies (Philippine State College of Aeronautics)	Professional Lecturer	2016-2017
Office of the Presidential Adviser for the Peace Process (OPAPP)	Senior Technical Consultant	2016-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am NOT related to any director/officer/substantial shareholder of the Company and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.




6. I am not in government service or affiliated with a government agency or a GOCC as would require written permission or consent from the head of the agency/ department for me to be an independent director of the Company, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five days from its occurrence.

Done, this SEP. 06 2019 day of \_\_\_\_\_, at MAKATIGITY.

  
**RAMON G. SANTOS**  
 Affiant

SUBSCRIBED AND SWORN to before me this SEP 06 2019 day of \_\_\_\_\_ at MAKATIGITY, affiant personally appeared before me and exhibited to me his/her Passport No.P6085632A issued at DFA, MANILA on Feb 19, 2018.

Doc. No. 996 ;  
 Page No. 49 ;  
 Book No. 479 ;  
 Series of 2019.

  
**RUBEN T. M. RAMIREZ**  
 NOTARY PUBLIC  
 UNTIL DEC. 31, 2019  
 IBP NO. 058533/1-3-2019 CY 2019  
 ROLL NO. 28947/MCLE 6 / 3-22-19  
 PTR NO. MKT. 7333572/1-3-19 APPT. NO. M-123  
 MAKATI CENTRAL POST OFFICE

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	4	7	5	8	4				
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**COMPANY NAME**

P	R	E	M	I	E	R	E	H	O	R	I	Z	O	N	A	L	L	I	A	N	C	E	C	O	R	P
O	R	A	T	I	O	N	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S					

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

U	n	i	t	1	7	0	5	,	1	7	t	h	F	l	o	o	r	,	E	a	s	t	T	o			
w	e	r	,	P	h	i	l	i	p	p	i	n	e	S	t	o	c	k	E	x	c	h	a	n	g	e	
C	e	n	t	e	r	,	E	x	c	h	a	n	g	e	R	o	a	d	,	O	r	t	i	g	a	s	
C	e	n	t	e	r	,	P	a	s	i	g	C	i	t	y												

Form Type

1	7	-	A
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Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's Email Address

www.premierehorizonalliance.com

Company's Telephone Number

(02) 632-7714

Mobile Number

N/A

No. of Stockholders

123

Annual Meeting (Month / Day)

06/21

Fiscal Year (Month / Day)

12/31

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Manolo B. Tuason

Email Address

N/A

Telephone Number/s

706-2882

Mobile Number

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.





STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

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


In preparing the 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 to do so.


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

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

**SyCip Gorres Velayo & Co. (SGV)**, the independent auditors appointed by the stockholders, have audited the financial statements of the Group 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 8th day of April 2019

SUBJECT MATTER Brought to before me this  
AT PASIG CITY, PHILIPPINES, APR 16 2019 BY THE  
ABOVE APPLICANTS.  
DOC. NO. 240  
PAGE NO. 49  
SERIAL NO. 214  
DATE OF 19

  
**ATTY. EDWINA S. CONDAYA**  
NOTARY PUBLIC  
PASIG, PATEROS, SAN JUAN  
UNTIL DEC. 31, 2019  
PTR NO. 3826099 / 1-03-19  
IBP NO. 019004 / 12-19-17 / UNTIL 2019  
ROLL NO. 29883  
TIN NO. 210-063 191-000  
MCLE V-0000493  
2ND FLOOR ARMAL BLDG. URBANO  
VELASCO AVE. MALINAO PASIG CITY

## 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, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018, in accordance with Philippine Financial Reporting Standards (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 audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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



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

#### *Adoption of PFRS 15, Revenue from Contracts with Customers*

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, using the modified retrospective approach. The adoption of PFRS 15 is significant to our audit because this involves application of significant judgment and estimation in the following areas: (1) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (2) assessment of the probability that the entity will collect the consideration from the buyer; (3) application of the input method as the measure of progress in determining real estate revenue; and (4) determination of the actual costs incurred as cost of sales.

The Group identifies the contract that meets all the criteria required under PFRS 15 for a valid revenue contract. In the absence of a signed contract to sell, the Group identifies alternative documentation that are enforceable and that contains each party's rights regarding the real estate property to be transferred, the payment terms and the contract's commercial substance.

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

In measuring the progress of its performance obligation over time, the Group uses the input method. Under input method, progress is measured based on actual cost incurred such as materials, labor, and actual overhead relative to the total estimated development cost of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. The estimation of the total cost 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 adoption of PFRS 15 resulted in increase in contract assets and decrease of contract receivables amounting to ₱1,485.02 million, and increase in contract liabilities and decrease of trade and other payables amounting to ₱89.45 million as of January 1, 2018. The adoption of PFRS 15 did not result to differences requiring adjustment in the opening balance of retained earnings as of January 1, 2018.

The disclosures related to adoption of PFRS 15, including practical expedients applied by the Group, are included in Note 2 to the consolidated financial statements.



#### *Audit Response*

We obtained an understanding of the Group's revenue recognition process, including the process of implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis.

For the identification of the alternative documentation for sale of real estate property (in the absence of a signed contract to sell) that would meet the requirements of PFRS 15, our audit procedures include, among others, involvement of our internal specialist in reviewing the Group's legal basis regarding the enforceability of the alternative documentation against previous court decisions, buyers' behavior and industry practices.

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. We traced the analysis to supporting documents such as deed of absolute sale and purchase agreements.

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 cost accumulated including those incurred but not yet billed to supporting documents such as contracts. 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.

We test computed the transition adjustments and evaluated the disclosures made in the consolidated financial statements on the adoption of PFRS 15.

#### *Adoption of PFRS 9, Financial Instruments*

On January 1, 2018, the Group adopted PFRS 9, *Financial Instruments*. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group adopted the modified retrospective approach in adopting PFRS 9.



The Group's adoption of the ECL model on its contract receivables and contract assets is significant to our audit as 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 application of the ECL model increased the allowance for impairment losses by ₱18.47 million and decreased deferred tax liabilities by ₱5.54 million and decreased retained earnings attributable to equity holders of the Parent Company by ₱7.11 million and non-controlling interest by ₱5.82 million as of January 1, 2018.

Refer to Note 2 and 3 to the consolidated financial statements for the disclosure on the transition adjustments upon adoption of PFRS 9.

#### *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/Company'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. We involved our internal specialists in the performance of the above procedures. We checked the transition adjustments and reviewed the disclosures made in the consolidated financial statements based on the requirements of PFRS 9.



*Recoverability of goodwill and exclusive distribution right attributable to the acquisition of Concepts Unplugged: Business Environment Solutions, Inc. (CUBES)*

As of December 31, 2018, the Group's goodwill and exclusive distribution right attributable to the acquisition of CUBES amounted to ₱2.61 million and ₱105.35 million, respectively. CUBES started its operation on November 3, 2015. In May 2017, due to operational issues, CUBES' operations was discontinued and was put on hold. As of December 31, 2018, 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. Under PAS 36, *Impairment of Assets*, the Group is required to annually test the amount of goodwill for impairment while the exclusive distribution right is required to be tested for impairment if there are indicators of impairment. These items are significant to our audit because management's assessment process requires significant judgement.

Accordingly, management has impaired its goodwill and exclusive distribution right in 2018. The Group recognized impairment loss of ₱105.35 million on exclusive distribution right and ₱2.61 million on goodwill relating to CUBES in 2018, reducing the asset carrying values to nil as at December 31, 2018.

The Group's disclosures about goodwill and exclusive right to distribute are included in Notes 3 and 11 to the consolidated financial statements.

*Audit Response*

We obtained the management's basis for impairment of goodwill and exclusive distribution right. We performed inquiries and obtained relevant documents supporting the Group's assessment.

*Recoverability of deferred exploration costs*

As at December 31, 2018, the carrying value of the Group's deferred exploration costs amounted to ₱390.20 million. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceeds the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves.

*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, 2018, 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.





## **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the 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, 2018 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 PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor's Responsibilities for the Audits of the Consolidated Financial Statements**

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

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

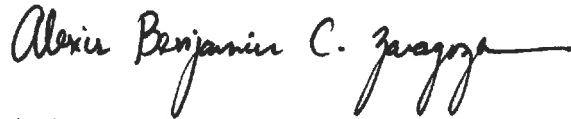
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



The engagement partner on the audit resulting in this independent auditor's report is Alexis Benjamin C. Zaragoza III.

SYCIP GORRES VELAYO & CO.



Alexis Benjamin C. Zaragoza III

Partner

CPA Certificate No. 109217

SEC Accreditation No. 1627-A (Group A),

April 4, 2017, valid until April 3, 2020

Tax Identification No. 246-663-780

BIR Accreditation No. 08-001998-129-2017,

February 9, 2017, valid until February 8, 2020

PTR No. 7332637, January 3, 2019, Makati City

May 10, 2019



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

	December 31	
	2018	2017 (As restated, Note 2)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Notes 2 and 4)	₱68,980,256	₱70,160,469
Contract assets (Notes 2 and 5)	1,028,153,623	–
Receivables - net (Notes 2 and 5)	86,340,871	1,424,672,541
Real estate held for sale (Notes 2 and 6)	1,606,444,142	1,403,773,978
Other current assets (Note 7)	92,359,793	315,000,508
<b>Total Current Assets</b>	<b>2,882,278,685</b>	<b>3,213,607,496</b>
<b>Noncurrent Assets</b>		
Noncurrent portion of contract assets (Notes 2 and 5)	111,732,198	–
Noncurrent portion of contracts receivable (Notes 2 and 5)	–	220,981,250
Deferred exploration costs (Note 13)	390,197,300	–
Goodwill and intangible assets (Note 11)	20,207,375	143,710,343
Property and equipment - net (Note 12)	294,915,396	330,386,097
Other noncurrent assets - net (Notes 2 and 15)	45,827,777	187,867,508
<b>Total Noncurrent Assets</b>	<b>862,880,046</b>	<b>882,945,198</b>
<b>TOTAL ASSETS</b>	<b>₱3,745,158,731</b>	<b>₱4,096,552,694</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 2 and 16)	₱703,033,652	₱907,372,359
Contract liabilities (Notes 2 and 16)	133,218,374	–
Short-term loans (Note 18)	243,895,000	209,100,000
Dividend payable (Note 25)	39,800,000	–
Capital gains tax payable (Note 30)	16,815,000	6,690,000
Income tax payable (Note 30)	665,304	343,953
Current portion of:		
Purchased land payable (Note 17)	92,385,174	148,904,822
Loans payable (Note 19)	674,822,424	407,701,184
Obligations under finance lease (Note 20)	3,783,919	26,121,235
Installment payable (Note 20)	8,647,991	–
<b>Total Current Liabilities</b>	<b>1,917,066,838</b>	<b>1,706,233,553</b>
<b>Noncurrent Liabilities</b>		
Pension liabilities (Note 24)	13,332,705	13,183,317
Convertible loans (Note 21)	465,425,292	522,920,562
Callable loans (Note 22)	15,000,000	–
Noncurrent portion of:		
Purchased land payable (Note 17)	8,477,930	20,366,614
Loans payable (Note 19)	366,440,893	566,755,607
Obligations under finance lease (Note 20)	4,038,485	8,624,968
Installment payable (Note 20)	4,906,845	–
Capital gains tax payable (Note 30)	10,125,000	20,250,000
Deferred tax liabilities (Note 30)	159,697,463	236,042,655
<b>Total Noncurrent Liabilities</b>	<b>1,047,444,613</b>	<b>1,388,143,723</b>

(Forward)



	December 31	
	2018	2017 (As restated, Note 2)
<b>Equity (Note 25)</b>		
Equity attributable to equity holders of the parent:		
Capital stock	₱472,715,222	₱472,715,222
Additional paid-in capital (Note 21)	66,073,918	66,073,918
Retained earnings (deficit)	(140,689,788)	186,719,419
Parent Company shares held by a subsidiary	(120,226,315)	(133,663,988)
	277,873,037	591,844,571
Equity attributable to non-controlling interests	502,774,243	410,330,847
<b>Total Equity</b>	<b>780,647,280</b>	<b>1,002,175,418</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱3,745,158,731</b>	<b>₱4,096,552,694</b>

*See accompanying Notes to Consolidated Financial Statements.*



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

	Years Ended December 31		
	2018	2017	2016
<b>REVENUES</b> (Notes 33 and 36)			
Mining related services	₱294,933,829	₱247,142,428	₱297,833,328
Real estate sales	182,711,039	479,475,389	605,423,264
Service income	2,558,813	1,648,727	7,882,924
Others (Note 11)	–	387,213	–
	<b>480,203,681</b>	<b>728,653,757</b>	<b>911,139,516</b>
<b>COSTS AND EXPENSES</b>			
Cost of real estate sales (Note 6)	172,514,017	289,052,737	380,423,106
Cost of services (Note 26)	203,297,864	221,326,617	259,883,181
General and administrative (Note 27)	211,357,417	178,694,344	209,617,384
	<b>587,169,298</b>	<b>689,073,698</b>	<b>849,923,671</b>
<b>OTHER INCOME (CHARGES)</b>			
Interest income (Notes 4 and 5)	4,672,603	7,157,849	13,944,932
Change in fair value of investment properties (Note 14)	–	–	158,937,240
Gain on sale of asset held for sale (Note 8)	–	–	10,257,441
Impairment losses (Note 29)	(158,906,292)	(578,803)	(3,483,521)
Interest expense (Note 31)	(187,833,026)	(95,662,982)	(129,786,216)
Other income - net (Notes 5 and 16)	19,870,590	26,781,592	6,879,288
	<b>(322,196,125)</b>	<b>(62,302,344)</b>	<b>56,749,164</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(429,161,742)</b>	<b>(22,722,285)</b>	<b>117,965,009</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 30)	<b>(54,694,866)</b>	<b>(61,885,784)</b>	<b>70,604,135</b>
<b>NET INCOME (LOSS)</b>	<b>(374,466,876)</b>	<b>39,163,499</b>	<b>47,360,874</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items to be reclassified to income or loss in subsequent periods:</i>			
Unrealized gain on AFS financial assets (Note 9)	–	–	43,000
Realized gain on AFS financial assets transferred to profit or loss	–	334,699	–
	–	334,699	43,000
<i>Item not to be reclassified to income or loss in subsequent periods:</i>			
Remeasurement gain (loss) on defined benefit obligation (Note 24)	2,363,466	7,291,285	(196,246)
	<b>2,363,466</b>	<b>7,625,984</b>	<b>(153,246)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(₱372,103,410)</b>	<b>₱46,789,483</b>	<b>₱47,207,628</b>

(Forward)



	Years Ended December 31		
	2018	2017	2016
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>			
Equity holders of the parent	(P293,608,419)	P31,675,928	P35,334,467
Non-controlling interests	(80,858,457)	7,487,571	12,026,407
	<b>(P374,466,876)</b>	<b>P39,163,499</b>	<b>P47,360,874</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>			
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent	(P292,093,770)	P36,096,201	P34,953,664
Non-controlling interests	(80,009,640)	10,693,282	12,253,964
	<b>(P372,103,410)</b>	<b>P46,789,483</b>	<b>P47,207,628</b>
<b>EARNINGS (LOSS) PER SHARE ATTRIBUTABLE</b>			
<b>TO EQUITY HOLDERS OF THE</b>			
<b>PARENT COMPANY (Note 32)</b>			
Basic and diluted earnings (loss) per share	(P0.1692)	P0.0180	P0.0255

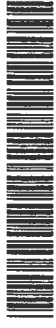
*See accompanying Notes to Consolidated Financial Statements.*



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

	Attributable to Equity Holders of the Parent									
	Capital Stock (Note 25)	Additional Paid-in Capital (APIC)	Additional Paid-in Capital on Convertible Loans (Note 21)	Total Paid-in Capital	Retained Earnings (Deficit) (Note 25)	Gain (Loss) on Sale of Financial Assets (Note 9)	Parent Company Shares held by a Subsidiary	Total	Attributable to Non-controlling Interests (Note 25)	Total Equity
Balances as at December 31, 2017, as previously stated	P472,715,222	P47,383,824	P18,690,094	P66,073,918	P186,719,419	P-	(P133,663,988)	P591,844,571	P410,330,847	P1,002,175,418
Effect of adoption of PFRS 9, <i>Financial Instruments</i> (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	-	-	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	P472,715,222	P47,383,824	P18,690,094	P66,073,918	(P140,689,788)	P-	(P120,226,315)	P277,873,037	P502,774,243	P780,647,280
Balances as at December 31, 2016	P471,115,222	P47,383,824	P18,690,094	P66,073,918	P150,957,917	(P334,699)	(P153,819,786)	P533,992,572	P399,637,565	P933,630,137
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	-	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	P472,715,222	P47,383,824	P18,690,094	P66,073,918	P186,719,419	P-	(P133,663,988)	P591,844,571	P410,330,847	P1,002,175,418
Balances as at December 31, 2015	P471,115,222	P47,383,824	P18,043,685	P65,427,509	P116,047,253	(P377,699)	(P151,405,856)	P500,806,429	P360,383,601	P861,190,030
Net income for the year	-	-	-	-	35,334,467	-	-	35,334,467	12,026,407	47,360,874
Unrealized gain on AFS financial assets	-	-	-	-	43,000	43,000	-	43,000	-	43,000
Remeasurement gain on defined benefit obligation	-	-	-	-	(423,803)	-	-	(423,803)	227,557	(196,246)
Total comprehensive income	-	-	-	-	34,910,664	43,000	-	34,953,664	12,253,964	47,207,628
Issuance of convertible loans	-	-	646,409	646,409	-	-	-	646,409	-	646,409
Additional investment from non-controlling interest	-	-	-	-	-	-	-	-	27,000,000	27,000,000
Parent Company shares held by a subsidiary	-	-	-	-	-	-	(2,413,930)	(2,413,930)	-	(2,413,930)
Balances as at December 31, 2016	P471,115,222	P47,383,824	P18,690,094	P66,073,918	P150,957,917	(P334,699)	(P153,819,786)	P533,992,572	P399,637,565	P933,630,137

See accompanying Notes to Consolidated Financial Statements.





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

	Years Ended December 31		
	2018	2017 (As restated, Note 2)	2016 (As restated, Note 2)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	(P429,161,742)	(P22,722,285)	P117,965,009
Adjustments for:			
Interest expense (Note 31)	187,833,026	95,662,982	129,786,216
Impairment losses (Note 29)	158,906,292	578,803	3,483,521
Depreciation and amortization (Notes 11 and 12)	89,689,006	88,119,085	112,479,751
Pension costs (Note 24)	3,041,511	4,286,024	4,252,408
Interest income (Notes 4 and 5)	(4,672,603)	(7,157,849)	(13,944,932)
Unrealized foreign exchange gain	(13,553)	–	(223)
Realized loss on sale of AFS financial assets	–	334,699	–
Recovery of impairment of film rights (Note 11)	–	(13,309)	–
Loss (gain) on:			
Disposal of property and equipment	36,381	66,683	–
Pilferage of spare parts inventory	–	780,241	–
Sale of investment in associate (Note 8)	–	–	(10,257,441)
Change in fair value of investment properties (Note 14)	–	–	(158,937,240)
Operating income before working capital changes	5,658,318	155,649,050	180,574,661
Decrease (increase) in:			
Receivables (Note 5)	389,471,016	(113,145,135)	(226,044,375)
Real estate held for sale (Note 6)	(202,670,164)	(157,264,672)	(69,916,572)
Other current assets (Note 7)	203,073,953	(101,111,096)	(1,548,881)
Increase (decrease) in:			
Trade and other payables (Note 16)	(30,208,990)	260,579,788	113,391,890
Purchased land payable (Note 17)	(68,408,332)	(83,041,395)	70,890,689
Net cash flows from operations	296,915,801	(38,333,460)	67,347,412
Interest received	4,672,603	7,157,849	13,944,932
Income tax paid	(8,686,067)	(5,856,734)	(14,513,161)
Interest paid	(183,828,296)	(91,393,429)	(118,994,293)
Net cash flows from (used in) operating activities	109,074,041	(128,425,774)	(52,215,110)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of:			
Property and equipment	–	86,313	298,000
Film rights	–	26,096	–
Assets held for sale (Note 8)	–	–	45,000,000
Acquisitions of:			
Property and equipment (Note 12)	(19,348,332)	(7,510,621)	(14,808,455)
Deferred exploration costs (Note 13)	(127,802,761)	–	–
Increase in other noncurrent assets	–	(103,677,858)	(31,089,792)
Net cash flows used in investing activities	(147,151,093)	(111,076,070)	(600,247)

(Forward)



	Years Ended December 31		
	2018	2017 (As restated, Note 2)	2016 (As restated, Note 2)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Loans payable	₱356,423,676	₱730,863,200	₱452,276,311
Short-term loans (Note 18)	92,320,000	68,140,000	211,050,000
Callable loans	15,000,000	-	-
Convertible loans (Note 21)	-	100,000,000	26,000,000
Sale of Parent Company shares held by a subsidiary	13,437,673	20,155,798	-
Share subscriptions (Note 25)	-	1,600,000	-
Payments of:			
Installment payable	(3,801,664)	(27,992,410)	(151,007,933)
Obligation under finance lease	(27,854,249)	(22,345,641)	-
Short-term loans	(57,525,000)	(70,090,000)	(182,225,000)
Convertible loans (Note 21)	(61,500,000)	(2,000,000)	-
Loans payable	(289,617,150)	(583,264,192)	(415,678,341)
Purchase of Parent Company shares held by a subsidiary	-	-	(2,413,930)
Increase in obligation under finance lease	-	-	57,091,844
Net cash flows from (used in) financing activities	<b>36,883,286</b>	<b>215,066,755</b>	<b>(4,907,049)</b>
<b>NET DECREASE IN CASH</b>	<b>(1,193,766)</b>	<b>(20,149,065)</b>	<b>(53,469,998)</b>
<b>EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE</b>	<b>13,553</b>	<b>-</b>	<b>223</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>70,160,469</b>	<b>90,309,534</b>	<b>143,779,309</b>
<b>CASH AT END OF YEAR (Note 4)</b>	<b>₱68,980,256</b>	<b>₱70,160,469</b>	<b>₱90,309,534</b>

*See accompanying Notes to Consolidated Financial Statements.*



# **PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information and Status of Operations**

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.

The accompanying consolidated financial statements of the Group as of December 31, 2018 and 2017 and for each of the three-year ended December 31, 2018, were authorized for issue by the BOD on May 10, 2019.

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### **2. Summary of Significant Accounting Policies and Financial Reporting Practices**

#### Basis of Preparation

The accompanying consolidated financial statements have been prepared using the historical cost basis, except for investment properties (2016) that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, the functional and presentation currency of the Parent Company and its subsidiaries. All amounts are rounded off to the nearest peso unit unless otherwise indicated.

#### 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 No. 14 Series of 2018, and Memorandum Circular No. 3, Series of 2019, as discussed in Note 3 to the consolidated financial statements. 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.

Consolidation of subsidiaries ceases when the Group loses control of the subsidiary.

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			
		2018		2017	2016
		Direct	Indirect	Direct	Direct
West Palawan Premiere Development Corp. (WPP) and Treasure Cove at Nagtabon Beach, Inc. (TCNBI)	Philippines	100	–	100	100
Premiere Georesources and Development Inc. (PGDI)	Philippines	69	–	80	80
Pyramid Hill Mining & Industrial Corp. (PHMIC)	Philippines	–	68	–	–
Palawan Star Mining Ventures, Inc. (PSMVI)	Philippines	–	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
Premiere e-Teleservices, Inc. (PeTI)*	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

\*separate financial statements are prepared under the liquidation basis

\*\*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 has 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, 2018, 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 10).

#### *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 was put on hold. As of December 31, 2018, 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 consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany income, expenses and dividends, are eliminated in full.

#### *Non-controlling interest*

Non-controlling interest represents interest in a subsidiary that is not owned, directly or indirectly by the Parent Company. Profit or loss and each component of other comprehensive income (loss) are attributed to the equity holders of the Parent Company and to the non-controlling interest. Total comprehensive income (loss) is attributed to the equity holders of the Parent Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Group.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;



- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income

#### 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, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- PFRS 9, *Financial Instruments*  
PFRS 9, replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

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

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

##### *a. Classification and measurement*

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

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

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

- Cash in banks, contract receivables, trade receivables, advances to officers and employees, and receivable from PAGCOR under 'Other noncurrent asses' previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as debt instruments at amortized cost.

There are no changes in classification and measurement for the Group's financial liabilities.

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



PAS 39 Measurement category	PAS 39 carrying value	Amortized cost
<b>Loans and receivables</b>		
Cash	₱70,160,469	₱70,160,469
Receivables		
Contracts receivables	69,058,317	69,058,317
Trade receivables	42,532,605	42,532,605
Advances to officers and employees	50,388,020	50,388,020
Receivable from PAGCOR under 'Other noncurrent assets'	3,042,702	3,042,702
<b>Total undiscounted financial assets</b>	<b>₱235,182,113</b>	<b>₱235,182,113</b>

b. *Impairment*

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at FVPL and contract assets.

For contract receivables and contract assets, the Group has applied the 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.

The Group used the vintage analysis approach for expected credit losses by calculating the cumulative loss rates of a given contract receivables. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability of default (PD) model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

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

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

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, refurbishment, payment required under Maceda law and cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the reporting



date using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

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

For cash in banks, 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 Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings published by reputable agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Set out below is the reconciliation of the ending allowances for impairments losses in accordance with PAS 29 to the opening loss allowances determined in accordance with PFRS 9:

	Allowance for impairment under PAS 39 as of December 31, 2017	Remeasurement	ECL under PFRS 9 as of January 1, 2018
Receivables	₱9,329,609	₱18,474,859	₱27,804,468

As of January 1, 2018, the effect of adoption of ECL under PFRS 9 is as follows:

	Increase (Decrease)
<i>Total assets</i>	
Receivables - net	(₱18,474,859)
<i>Total liabilities</i>	
Deferred tax liabilities - net	(₱5,542,458)
<i>Equity</i>	
Equity attributable to equity holders of the Parent Company	
Retained earnings	(7,112,820)
Noncontrolling interest	(5,819,581)
	(12,932,401)
Total liabilities and equity	(₱18,474,859)

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*





- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at January 1, 2018.

*Real estate sales*

On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting 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 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.

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 financial statements:

- The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 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 effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- 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 as at January 1, 2018 and gain from repossession in 2018. Currently, the Group 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.

The adoption of PFRS 15 did not result to differences requiring adjustment to the Group's opening retained earnings. The comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

The effect of adopting PFRS 15 as at January 1, 2018 is as follows:

	Increase (decrease)
<b>Assets</b>	
Receivables	(₱1,485,023,698)
Contract assets	1,485,023,698
<b>Total current assets</b>	-
Noncurrent portion of receivables	(220,981,250)
Noncurrent portion of contract assets	220,981,250
<b>Total noncurrent assets</b>	-
<b>Total Assets</b>	<b>₱-</b>
<b>Current liabilities</b>	
Trade and other payables	(₱89,448,737)
Contract liabilities	89,448,737
<b>Total liabilities</b>	<b>₱-</b>

Set out below are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on other comprehensive income or the Group's operating, investing and financing cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted:



Consolidated Statement of Financial Position as at December 31, 2018:

	Amounts prepared under		
	PFRS 15	Previous PFRS	Increase (decrease)
<b>Current Assets</b>			
Contract receivables	₱86,340,871	₱1,114,494,494	(₱1,028,153,623)
Contract assets	1,028,153,623	-	1,028,153,623
<b>Total current assets</b>	<b>₱1,114,494,494</b>	<b>₱1,114,494,494</b>	<b>₱-</b>
<b>Noncurrent assets</b>			
Contract receivables	₱-	(₱111,732,198)	(₱111,732,198)
Contract assets	111,732,198	-	111,732,198
<b>Total noncurrent assets</b>	<b>₱111,732,198</b>	<b>(₱111,732,198)</b>	<b>₱-</b>
<b>Current Liabilities</b>			
Trade and other payables	₱703,033,652	₱836,252,026	(₱133,218,374)
Contract liabilities	133,218,374	-	133,218,374
<b>Total Liabilities</b>	<b>₱836,252,026</b>	<b>₱836,252,026</b>	<b>₱-</b>

The nature of the adjustments as at January 1, 2018 pertains to the recognition of contract assets. The Group records any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as contract receivables, as contract asset while the excess of collection over progress of work is recorded as contract liability.

Before the adoption of PFRS 15, contract asset is not presented separately from contracts receivables and contract liability is presented as part of "Accounts and other payable" under 'Customers' deposits and advances'.

The adoption of PFRS 15 resulted to recording of contract assets and contract liabilities of ₱69.06 million and ₱89.45 million, respectively, as at January 1, 2018. As at December 31, 2018, contract assets and contract liabilities increased by ₱1.03 billion and ₱133.22 million, respectively, and decreased receivables and trade and other payable by the same amount.

*Mining related services and service income*

The adoption of PFRS 15 did not result to differences requiring adjustment to the opening balance of retained earnings.

*PIC Q&A on Advances to Contractors and PIC Q&A on Land Classification*

The Group adopted PIC Q&A 2018-11, Classification of Land by Real Estate Developer and PIC Q&A 2018-15, PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current starting January 1, 2018. The impact of adoption is applied retrospectively which resulted to the following reclassifications in the consolidated statement of financial position.

As of December 31, 2017, land and land development amounting to ₱578.79 million, previously presented as noncurrent, includes land with approved master plan to construct and develop residential development for sale. Before the adoption of PIC Q&A 2018-11, the classification was based on the Group's timing to start the development of the property. This was reclassified as current assets under "Real estate held for sale" in the consolidated statement of financial position.

The adoption of these PIC Q&As also resulted to decrease in cash flows provided by operating activities with a matching increase in cash flows used in investing activities amounting to ₱55.56 million and ₱20.03 million for the years ended December 31, 2017 and 2016, respectively.



The adoption of the PIC Q&A 2018-15 did not have any impact on the classification of advances to suppliers and contractors since the Group's practice is already consistent with the requirement of the PIC Q&A.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

#### Standards Issued But Not Yet Effective

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

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of twelve (12) months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of the new standard on the Group's financial statements as of the reporting period.

- 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.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

*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*
- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

*Effective beginning on or after January 1, 2020*

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

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



*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

*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*

### Summary of Significant Accounting Policies

#### Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

#### 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 (prior to adoption of PFRS 9)

##### *Date of recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statements 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 of financial instruments*

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.



Financial assets are further classified into the following categories: Financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. Financial liabilities are classified as either financial liabilities at FVPL or 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. The Group's 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 liabilities 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 directly to retained earnings net of any related income tax benefits.

The Group's financial assets and financial liabilities are of the nature of loans and receivables and other financial liabilities. The Group does not have AFS financial assets, financial assets at FVPL, HTM investments and liabilities at FVPL as at December 31, 2017.

#### *Amortized Cost*

HTM investments and loan and receivables are measured at amortized cost. This is computed using the effective interest rate (EIR) method, less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are integral part of the effective interest rate.

#### *Day 1 Difference*

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

#### *Subsequent measurement*

The subsequent measurement of financial assets and financial liabilities depends on their classifications as follows:

#### *Loans and receivables*

Loans and receivables are nonderivative 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 HTM investments, AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are carried at amortized cost less allowance for impairment. Amortized cost is calculated through the EIR method taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in interest income in the consolidated statement of comprehensive income. The losses arising from impairment of such loans and receivables are recognized in the 'Impairment losses' account in the consolidated statement of comprehensive income.



Loans and receivables are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to cash in banks, contract receivables, trade receivables, advances to officers and employees and receivable from PAGCOR under 'Other noncurrent assets'.

*AFS financial assets*

AFS financial assets are those nonderivative investments which are designated as such or do not qualify to be classified or designated as financial assets at FVPL, held-to-maturity investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of comprehensive income. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, net of tax, from reported earnings and are reported under the 'Other comprehensive income' section of the consolidated statement of comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of comprehensive income. Interest earned on holding AFS financial assets are reported as interest income using the EIR method. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis.

Dividends earned on holding AFS financial assets are recognized in the consolidated statement of comprehensive income, when the right to receive payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of comprehensive income.

The Group's AFS financial assets are classified as noncurrent asset unless the intention is to dispose such asset within twelve (12) months from the financial reporting date.

The Group does not have any AFS financial assets in 2017 (see Note 9).

*Other financial liabilities (including interest-bearing loans and borrowings)*

Other financial liabilities pertain to financial liabilities that are not held for trading or not designated as FVPL upon inception of the liability, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed amount of own equity shares. These include liabilities arising from operations (e.g. trade and other payables, short-term loans, etc.).

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization and accretion for any related premium, discount and any directly attributable transaction cost.

Other liabilities are included in current liabilities if the maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as non-current liabilities.

This accounting policy applies primarily to the Group's 'Trade and other payables', 'Short-term loans', 'Loans payable', 'Installment payables', 'Convertible loans', 'Callable loans', 'Obligations under





finance lease' and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liabilities).

#### Financial Instruments - Initial Recognition and Subsequent Measurement (upon adoption of PFRS 9)

##### *Financial assets*

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss.

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

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 recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- 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 (SPPI) on the principal amount outstanding

The details of these conditions are outlined below:

##### *Business model assessment*

The Group determined the business model at the level that best reflects how the Group manages its financial assets to achieve business objective.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from original expectations, the Group do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.



#### *The SPPI test*

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group apply judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial assets is required to be measured at FVPL.

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

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

#### Financial liabilities

##### *Initial recognition and measurement*

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

##### *Subsequent measurement*

After initial recognition, payables are subsequently measured at amortized cost using the EIR method.

#### Derecognition of Financial Assets and Liabilities (prior to and upon adoption of PFRS 9)

##### *Financial asset*

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 asset has expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a pass-through arrangement; or
- the Group has transferred its right 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 over the asset.

Where the Group has transferred its right 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 over 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of fair value of the transferred asset and the option exercise price.

#### *Financial liability*

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

#### Impairment of Financial Assets (upon adoption of PFRS 9)

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.

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.

#### Impairment of Financial Assets (prior to adoption of PFRS 9)

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 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 the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment.

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 estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of the loss is charged to "Impairment losses" in profit or loss in the consolidated statement of comprehensive income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, 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 and loss in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed what would have been its amortized cost at the reversal date had there been no impairment.

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

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 financial 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.

#### *AFS financial assets*

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

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded under interest income in the



consolidated statement of comprehensive income. If, in subsequent year, the fair value of a debt instrument increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of comprehensive income, the impairment loss is reversed through in the consolidated statement of comprehensive income.

For equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is significant and prolonged is subject to judgment. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income - is removed from equity and recognized in the profit or loss in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized directly as part of the other comprehensive income.

#### Offsetting Financial Assets and Financial Liabilities

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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

#### 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 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	10 (8 in 2016)
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 dacion 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.

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 or 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 balance sheet 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 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 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 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.

#### Assets Held for Sale

The Group classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Impairment losses are recognized for any initial or subsequent write-down of the assets held for sale to the extent that these have not been previously recognized at initial recognition. Reversals of impairment losses for any subsequent increases in fair value less cost to sell



of the assets held for sale are recognized as a gain, but not in excess of the cumulative impairment loss that has been previously recognized.

#### 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*

Retained earnings 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. When the retained earnings account has a debit balance, it is called "deficit".



*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 (Upon adoption of PFRS 15)

Under PFRS 15, 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.

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 the adoption of PFRS 15)

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 (Effective January 1, 2018)

*Contracts receivables*

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

*Contract assets*

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

*Contract liabilities*

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

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

*Costs to obtain contract (Commission expenses)*

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

#### Cost of real estate

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.

#### Costs of Services and Expenses

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.

*Commission expense*

The Group recognizes commission expense when services are rendered by the broker and agent. The commission expense is recognized upon receipt of down payment from the buyer comprising a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement. This is recognized by the Group as part of "General and administrative" account in the consolidated statement of comprehensive income.

*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

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.

#### *The Group as lessee*

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

#### *The Group as lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### Sale and Leaseback

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved or whether it includes a repurchase agreement or option.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount should not be recognized immediately as income by the seller-lessee. Instead, the excess is deferred and amortized over the lease term. The asset will be restated to its fair value (or the present value of the minimum lease payments, if lower) in exactly the same way as any other asset acquired under a finance lease.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognized immediately in the consolidated statement of comprehensive income by the seller-lessee. If the sale price is below fair value, any profit or loss is recognized immediately in the consolidated statement of comprehensive income unless the loss is compensated by future lease payments at below market price, in which case it should be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value should be deferred and amortized over the period for which the asset is expected to be used.

If a sale and leaseback transaction includes a repurchase agreement or a repurchase option whose exercise is almost certain, the seller-lessee should consider whether the arrangement conveys a right of use. If it is determined that the arrangement does not convey a right of use, the transaction is outside the scope of PAS 17, thus, the sale and leaseback accounting should not be applied and the transaction should be accounted as a financing arrangement.



### 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 31.

### Foreign Currency Transactions and Translations

The consolidated financial statements are presented in Philippine Peso, which is the Parent Company and its subsidiaries' functional and presentation currency. Each entity within the Group determines its own functional currency and items included in the consolidated financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to consolidated statement of comprehensive income during the period of retranslation.

### 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.

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### 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:

#### *Real estate revenue recognition (Upon adoption of PFRS 15)*

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) assessment of the probability that the entity will collect the consideration from the buyer; (c) application of the input method as the measure of progress in determining real estate revenue; 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 purchase 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 customer, age 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; house and 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 house or 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.

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The information about the ECLs on the Group's receivables is disclosed in Note 2.

*Real estate revenue recognition (Prior to adoption of PFRS 15)*

Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on sale which may be ascertained through the significance of the buyer's initial payments in relation to the total contract price; and,
- Stage of completion of the project development.

The Group has set a certain percentage of collection over the total selling price in determining buyer's commitment on the sale. It is when the buyer's investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group. The Group also determines whether a project's percentage of completion is already considered beyond preliminary stage based the actual costs incurred.

*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 ₱7.82 million and ₱34.75 million as at December 31, 2018 and 2017, respectively. The net book values of heavy equipment and transportation equipment in sale and leaseback transaction amounted to ₱37.99 million and ₱7.34 million as at December 31, 2018 (see Note 20).

*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 are classified as investment properties. The aggregate carrying values of real estate held for sale amounted to ₱1,606.44 million and ₱1,403.77 million as at December 31, 2018 and 2017, respectively (see Note 6).

In 2017, the Group changed its intention over the use of its 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 the carrying value of the land amounting to ₱399.95 million from investment property to real estate held for sale (see Notes 6 and 14).

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.

*Revenue recognition on real estate sales (Upon adoption of PFRS 15)*

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 year ended December 31, 2018, real estate sales amounted to ₱182.71 million (see Note 25).

*Real estate revenue and cost recognition (Prior to adoption of PFRS 15)*

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate is recognized based on the percentage of completion measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total cost of the project. The estimation of the total cost of the real estate project requires technical inputs by project development engineers.

For the years ended December 31, 2017, and 2016, real estate sales amounted to ₱479.48 million and ₱605.42 million, while cost of real estate sales amounted to ₱289.05 million and ₱380.42, respectively (see Note 25).



*Revaluation of investment properties*

The Group engaged an independent appraiser to determine the fair value of its investment properties. The fair value of investment property was based on the valuation performed in April 2016. The fair values of investment properties were determined using the Market Data Approach. Market Data Approach involves the comparison of the land to those that are more or less 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 2016, which were recognized in the consolidated statements of comprehensive income amounted to ₱158.94 million.

Starting 2017, the Group changed its intention over the use of its investment properties, from property held for capital appreciation to property to be sold in the normal operating cycle.

*Estimating allowance for expected credit losses (upon adoption of PFRS 9)*

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 forecast economic conditions (e.g., unemployment rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

As at December 31, 2018, allowance for expected credit losses amounted to ₱57.76 million. The carrying value of receivables and contract assets, net of allowance for expected credit losses, amounted to ₱1,114.49 million as at December 31, 2018.

*Estimating allowance for impairment losses on receivables (prior to adoption of PFRS 9)*

The Group maintains an allowance for impairment losses at a level based on the results of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist





currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of December 31, 2017, the carrying value of receivables, net of allowance for impairment losses, amounted to ₱1,424.67 million. The carrying value of noncurrent portion of installment contract receivables amounted to ₱220.98 million as of December 31, 2017 (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, 2018 and 2017 amounted to ₱1,606.44 million and ₱1,403.77 million, respectively (see Note 6).

*Evaluating impairment of nonfinancial assets (excluding goodwill)*

The Group reviews film rights, exclusive distribution right, property and equipment, and investment properties 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:

	2018	2017
Film rights (Note 11)	₱4,505,571	₱5,006,190
Exclusive distribution right (Note 11)	–	120,395,233
Property and equipment (Note 12)	294,915,396	330,386,097

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, property and equipment and investment properties.

In May 2017, due to operational issues, CUBES operations was discontinued and was put on hold. As of December 31, 2018, 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 impaired its goodwill and exclusive distribution right.

Provision for impairment in value related to the exclusive distribution right of CUBES amounting to ₱105.35 million and nil was recognized in 2018 and 2017, respectively (see Note 11).

*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 2018. Deferred exploration costs amounted to 390.20 million and nil as at December 31, 2018 and 2017, respectively (see Note 13).

#### *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 Company 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 Company 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 ₱2.61 million and nil was recognized in 2018 and 2017, respectively (see Note 11).

The Group's disclosures about goodwill is included in Note 11 to the consolidated financial statements. 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.

#### *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, 2018, and 2017, pension liabilities amounted to ₱13.33 million and ₱13.18 million, respectively. 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, while in 2016, the remeasurement loss recognized in other comprehensive income amounted to ₱0.20 million. Pension costs reported in the consolidated statement of comprehensive income from continuing operations amounted to ₱3.04 million, ₱4.67 million, and ₱4.25 million in 2018, 2017 and 2016, respectively (see Note 24).

#### *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, 2018 and 2017, deferred tax assets recognized in the consolidated statements of financial position amounted to



₱32.77 million and ₱21.28 million, respectively (see Note 30).

As of December 31, 2018 and 2017, no deferred tax assets were recognized for deductible temporary differences amounting to ₱563.18 million and ₱415.20 million, respectively (see Note 30).

*Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheets cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flows (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments (see Note 34).

4. **Cash**

	2018	2017
Cash on hand	₱2,581,701	₱1,456,628
Cash in banks	66,398,555	68,703,841
	<b>₱68,980,256</b>	<b>₱70,160,469</b>

Cash in banks earn interest at the prevailing bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.12 million, ₱0.13 million, and ₱2.08 million in 2018, 2017, and 2016, respectively.

5. **Receivables - net**

	2018	2017
Contract receivables	₱61,945,279	₱1,554,082,015
Trade receivables	18,781,415	42,532,605
Advances to officers and employees (Note 23)	63,168,811	50,388,020
Others	205,917	7,980,760
	144,101,422	1,654,983,400
Less noncurrent portion of contract receivables	-	220,981,250
	144,101,422	1,434,002,150
Less allowance for impairment losses	57,760,551	9,329,609
	<b>₱86,340,871</b>	<b>₱1,424,672,541</b>

*Contract receivables*

Contract receivables arise from sale of real estate properties. These receivables are collectible in monthly instalment 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 ₱4.55 million, ₱7.03 million, and ₱11.86 million in 2018, 2017, and 2016, 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 ₱9.71 million, ₱18.88 million, and ₱18.38 million in 2018, 2017 and 2016, respectively.



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

	2018
Due within one year	₱1,028,153,623
Due after one year	111,732,198
	<b>₱1,139,885,821</b>

The total contract price from the sale of real estate properties as of December 31, 2018 and 2017 amounted to ₱4,233.84 million and ₱4,612.30 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 amounting to ₱116.82 million and ₱181.11 million as of December 31, 2018 and 2017, respectively were assigned with recourse to banks and other non-bank financing institutions (see Note 19). These receivables were not derecognized as the Group retains substantially all risks and rewards of ownership of the receivables.

*Trade receivables*

Trade receivables, net of allowance for impairment, include short-term non-interest bearing receivable arising from hauling services operations and services related to cold storage facility of the Group.

*Advances to officers and employees*

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

Movement in the allowance for impairment losses on receivables follows:

	2018	2017
Balances at beginning of year	₱9,329,609	₱9,323,609
Transition adjustment (Note 2)	18,474,859	-
Provision for impairment losses (Note 29)	29,956,083	6,000
Balances at end of year	<b>₱57,760,551</b>	<b>₱9,329,609</b>

As discussed in Note 2, 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 January 1, 2018 using the modified retrospective approach amounting to ₱18.47 million.

**6. Real Estate Held for Sale**

	2018	2017 (As restated, Note 2)
Real estate under development and subdivided lots held for sale	₱997,009,865	₱824,985,181
Land development	609,434,277	578,788,797
Real estate held for sale	<b>₱1,606,444,142</b>	<b>₱1,403,773,978</b>



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

	2018	2017 (As restated, Note 2)
Balance at beginning of year	₱824,985,181	₱723,281,589
Construction development costs incurred	286,509,649	365,643,280
Capitalized borrowing cost (Note 19)	58,029,052	25,113,049
Cost of real estate sales	(172,514,017)	(289,052,737)
<b>Balance at end of year</b>	<b>₱997,009,865</b>	<b>₱824,985,181</b>

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

	2018	2017 (As restated, Note 2)
Balance at beginning of year	₱578,788,797	₱123,275,017
Land acquired and development cost	21,759,282	52,834,691
Reclassification from investment property (Note 14)	-	399,952,700
Capitalized borrowing costs	8,886,198	2,726,389
<b>Balance at end of year</b>	<b>₱609,434,277</b>	<b>₱578,788,797</b>

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 ₱1,245.74 million and ₱1,116.00 million as of December 31, 2018 and 2017, respectively.

In 2017, the Group changed its intention over the use of its 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 the carrying value of the land amounting to ₱399.95 million from investment property to land and land development

The Group partially finances its project development through availment of loans. Capitalized borrowing costs to real estate held for sale amounted to ₱20.27 million and ₱25.11 million in 2018 and 2017, respectively.

Capitalized borrowing costs to real estate under development amounted to ₱8.89 million and ₱2.73 million in 2018 and 2017, respectively, at a capitalization rate ranging from 5.00% to 8.00% for 2018 and 2017.

As of December 31, 2018, the Group is committed to pay the outstanding balance of purchased land payable, which pertains to land acquisitions, amounting to ₱100.86 million and ₱169.27 million in 2018 and 2017, respectively. There are no other purchase commitments as of December 31, 2018.

As of December 31, 2018, and 2017, certain lots and units with carrying value of ₱91.12 million and ₱129.00 million, respectively are held as collateral for the Group's bank loans (see Note 19).



## 7. Other Current Assets

	2018	2017
Advances to suppliers and contractors	P44,679,768	P271,831,670
Tax credits	24,724,970	11,288,880
Input VAT - net of allowance for impairment losses	13,232,395	15,607,831
Supplies inventory	6,631,860	13,004,016
Prepayments	529,529	787,036
Others	2,561,271	2,481,075
	<b>P92,359,793</b>	<b>P315,000,508</b>

### *Advances to suppliers and contractors*

Advances to suppliers and contractors represent downpayments 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.

### *Input VAT*

The current portion of 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, which is expected to be recovered against output VAT, twelve (12) months after the end of the reporting period. The current portion amounting to P13.23 million and P15.61 million as of December 31, 2018 and 2017, respectively, is expected to be recovered in 2019 and 2018, respectively. The remaining balance which are presented under the 'Other noncurrent assets' account in the consolidated balance sheets amounting to P5.84 million and P6.62 million, as of December 31, 2018 and 2017 respectively, are recoverable in future periods after year 2019 and 2018, respectively (see Note 15).

Details of input VAT as of December 31, 2018 and 2017 follow:

	2018		2017	
	Current	Noncurrent (Note 15)	Current	Noncurrent (Note 15)
Input VAT	P17,602,425	P10,218,156	P17,273,815	P8,946,521
Less allowance for impairment losses	4,370,030	4,377,303	1,665,984	2,331,392
	<b>P13,232,395</b>	<b>P5,840,853</b>	<b>P15,607,831</b>	<b>P6,615,129</b>

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

	2018		2017	
	Current	Noncurrent	Current	Noncurrent
Beginning balances	P1,665,984	P2,331,392	P1,649,424	P2,331,392
Provision of impairment losses during the year (Note 29)	2,704,046	2,045,911	16,560	-
	<b>P4,370,030</b>	<b>P4,377,303</b>	<b>P1,665,984</b>	<b>P2,331,392</b>

### *Tax credits*

Tax credits amounting to P24.71 million and P11.29 million as of December 31, 2018 and 2017, respectively, are available for offset against income tax payable in future periods.



### *Prepayments*

Prepayments include prepaid insurance and rent which will be amortized within three (3) to twelve (12) months at the end of the financial reporting date.

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## 8. Asset Classified as Held for Sale

On November 28, 2012, the Group and Ardent Property Development Corporation incorporated First Ardent Development Corporation (FADC), primarily to engage in real estate development. The Group owns 25.6 million shares for a total cost of ₱32.0 million representing 32% ownership interest. The investment was initially classified and accounted for as “Investments in associates” in the Group’s consolidated statements of financial position.

In July 2015, the Group’s BOD authorized the sale of the investment in FADC as part of the Group’s strategy as it focuses on its core businesses geared towards countryside development. As at December 31, 2015, the investment in FADC was accounted for under PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* and the carrying amount of the investment was presented under “Asset classified as held for sale” in the current asset section in the Group’s consolidated statement of financial position due to management’s commitment to sell the investment in the following year. The Group measures its investment in FADC at the lower of carrying amount or fair value less cost to sell as of year-end. As at December 31, 2015, the carrying amount of investment in FADC amounted to ₱34.74 million.

In March 2016, the Group sold its investment in FADC for a total consideration of ₱45.00 million resulting to gain amounting ₱10.26 million.

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## 9. AFS Financial Assets

The carrying value of the Group’s AFS financial assets amounted to nil as at December 31, 2018 and 2017. In 2016, unrealized gain from changes in fair value of the quoted equity securities amounted to ₱0.04 million. The Group disposed all of its AFS financial assets during 2017.

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## 10. 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, 2018, PGDI has subscribed to 98.88% of PHMIC and 98.55% of PSMVI through conversion of its advances to equity amounting to ₱220.0 million and ₱170.0 million, respectively. The valuation of 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 ₱220.0 million and ₱170.0 million, respectively, for conversion to equity through application of advances as payment for PGDI’s



subscription. The valuation of 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 (see Note 15).

The transaction was 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.

The identifiable assets acquired pertains primarily relates to deferred exploration costs (see Note 13).

#### Acquisition of GLCI

In June 2015, the Group 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.

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 and 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 11).





## 11. Goodwill and Intangible Assets

	2018			
	Goodwill	Film Rights	Exclusive Distribution Right	Total
<b>Cost:</b>				
Balances at beginning and end of year	₱556,123,930	₱59,641,480	₱150,494,041	₱766,259,451
<b>Accumulated Amortization and Impairment Losses:</b>				
Balances at beginning of the year	537,815,010	54,635,290	30,098,808	622,549,108
Amortization (Note 27)	–	–	15,049,404	15,049,404
Impairment losses (Note 29)	2,607,116	500,619	105,345,829	108,453,564
Balances at end of year	540,422,126	55,135,909	150,494,041	746,052,076
<b>Net Book Values</b>	<b>₱15,701,804</b>	<b>₱4,505,571</b>	<b>₱–</b>	<b>₱20,207,375</b>

	2017			
	Goodwill	Film Rights	Exclusive Distribution Right	Total
<b>Cost:</b>				
Balances at beginning of year	₱556,123,930	₱59,667,576	₱150,494,041	₱766,285,547
Disposal	–	(26,096)	–	(26,096)
Balance at the end of the year	556,123,930	59,641,480	150,494,041	766,259,451
<b>Accumulated Amortization and Impairment Losses:</b>				
Balances at beginning of the year	537,815,010	54,092,356	15,049,404	606,956,770
Amortization (Note 26)	–	–	15,049,404	15,049,404
Impairment losses (Note 28)	–	556,243	–	556,243
Recovery	–	(13,309)	–	(13,309)
Balances at end of year	537,815,010	54,635,290	30,098,808	622,549,108
<b>Net Book Values</b>	<b>₱18,308,920</b>	<b>₱5,006,190</b>	<b>₱120,395,233</b>	<b>₱143,710,343</b>

### 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 nil in 2018 and ₱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. CUBES started its commercial operations on November 3, 2015. Due to operational issues, CUBES operation was put on hold. The Group performed its impairment test on its goodwill and exclusive distribution right as of December 31, 2018. The Group assumed that there is no cash flows considering that CUBES has ceased its operations.

The Group recognized impairment loss of ₱105.35 million on exclusive distribution right and ₱2.61 million on goodwill relating to CUBES in 2018, reducing the asset carrying values to nil as at December 31, 2018.



Film rights

In 2017, the Group sold its film rights to the movie “Minsa’y Isang Gamu-Gamu” to ABS-CBN for a total consideration of ₱0.43 million which resulted to a recovery of periodically recognized impairment loss of ₱13,309.

In 2018, 2017, and 2016, the Group recognized impairment loss on film rights amounting to ₱0.50 million, ₱0.56 million, and ₱0.80 million, respectively (see Note 29). 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.



12. Property and Equipment - net

		2018							Total
		Office Space Building and Office Space Improvements	Heavy Equipment	Leasehold Improvements	Furniture and Fixtures	Transportation Equipment	Office and Other Equipment	Construction in progress	
<b>Cost:</b>									
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
<b>Accumulated Depreciation and Amortization:</b>									
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 26 and 27)		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	696,221	351,015,381
<b>Net Book Values</b>		<b>₱9,100,500</b>	<b>₱223,573,844</b>	<b>₱3,375,843</b>	<b>₱1,073,121</b>	<b>₱20,102,523</b>	<b>₱36,993,344</b>	<b>₱696,221</b>	<b>₱294,915,396</b>

		2017							Total
		Office Space Building and Office Space Improvements	Heavy Equipment	Leasehold Improvements	Furniture and Fixtures	Transportation Equipment	Office and Other Equipment	Construction in progress	
<b>Cost:</b>									
Balances at beginning of year		₱20,384,323	₱451,271,429	₱7,435,472	₱2,694,529	₱58,448,028	₱61,084,803	₱696,221	₱602,014,805
Additions		-	1,100,000	233,467	499,313	4,853,679	824,162	-	7,510,621
Disposal		-	-	(301,588)	-	-	(2,858,658)	-	(3,160,246)
Reclassification		-	-	(368,552)	368,552	-	-	-	-
Balances at end 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
<b>Accumulated Depreciation and Amortization:</b>									
Balances at beginning of year		5,929,331	156,249,094	2,959,939	1,810,404	25,348,338	16,626,795	-	208,923,901
Depreciation and amortization for the year (Notes 26 and 27)		2,677,246	47,177,579	1,083,765	410,594	10,937,747	7,775,500	-	70,062,431
Disposal		-	-	(113,695)	(99,056)	-	(2,794,498)	-	(3,007,249)
Balances at end of year		8,606,577	203,426,673	3,930,009	2,121,942	36,286,085	21,607,797	-	275,979,083
<b>Net Book Values</b>		<b>₱11,777,746</b>	<b>₱248,944,756</b>	<b>₱3,068,790</b>	<b>₱1,440,452</b>	<b>₱27,015,622</b>	<b>₱37,442,510</b>	<b>₱696,221</b>	<b>₱330,386,097</b>



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

	2018	2017	2016
Cost of services (Note 26)	₱56,109,556	₱57,522,090	₱82,334,950
General and administrative (Note 27)	18,530,046	12,540,341	15,095,397
	<u>₱74,639,602</u>	<u>₱70,062,431</u>	<u>₱97,430,347</u>

Net book values of heavy equipment and transportation equipment under finance lease amounted to ₱37.99 million and ₱13.63 million, respectively as at December 31, 2017.

The Group's mortgage loans are collateralized by the Company's transportation equipment with a carrying amount of ₱5.28 million and ₱5.20 million as of December 31, 2018 and 2017, respectively.

The Group continues to utilize fully depreciated property and equipment with an aggregate acquisition cost amounting to ₱6.65 million and ₱4.78 million in 2018 and 2017, respectively.

### 13. Deferred Exploration Costs

As discussed in Notes 1 and 10, 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, 2018.

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, 2018, 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 2018.

### 14. 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 2017, the Group changed its intention over the use of its 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 the carrying value of the land amounting to ₱399.95 million from investment property to land and land development (see Note 6).

The change in the fair value during 2016 amounted to ₱158,937,240.



15. **Other Noncurrent Assets - net**

	2018	2017
Advances to supplier - net	₱35,867,759	₱50,932,519
Input VAT - net (Note 7)	5,840,853	6,615,129
Receivable from PAGCOR	3,042,702	3,042,702
Security deposits	848,022	884,604
Advances for projects (Note 10)	–	126,366,554
Others	228,441	26,000
	<b>₱45,827,777</b>	<b>₱187,867,508</b>

The Group recognized provision for impairment loss on input VAT amounting to ₱2.50 million, nil, which is recorded under “Impairment losses” in the Group consolidated statements of comprehensive income in 2018 and 2017, respectively (see Note 29).

*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 ₱15.06 million for the year ended December 31, 2018 (see Note 29). Allowance for impairment loss amounted to ₱15.06 million and nil as of December 31, 2018 and 2017, respectively.

*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, 2018, the case is pending before the Quezon City Regional Trial Court.

*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 (see Note 36).

*Advances for projects*

Advances for projects relate to payments made to third parties for mining-related projects that are being developed and pursued by the Group. The advances were used to subscribe to shares in the project Companies (PHMIC and PSMVI) in 2018 (see Note 10).



## 16. Trade and Other Payables

	2018	2017
Trade payables:		
Third parties	₱127,362,596	₱207,216,692
Related parties (Note 23)	12,176,252	12,176,252
Advances from third parties	171,234,517	223,343,722
Advances from shareholder (Note 23)	136,027,985	-
Deferred output VAT	103,420,222	91,424,089
Retention payable	54,430,490	82,942,492
Accrued expenses	24,185,570	95,691,972
Customers' deposits and advances	-	89,448,737
Others	74,196,020	105,128,403
	<b>₱703,033,652</b>	<b>₱907,372,359</b>

### *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. Also, included in this account are purchased land payables to various real estate property sellers arising from acquisition of land held for development.

### *Advances from third parties*

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

### *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.

### *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.

### *Contract liabilities/Customers' deposits and advances*

Contract liabilities and Customers' advances and deposits account represent excess collections from buyers over the related revenue recognized based on the percentage of completion method and advance payment of customers subject to refund or future billing applications on its mining activities. This account also includes customers' advances representing reservation fees paid to the Group by prospective buyers which are to be applied as payment upon recognition of revenue.

The Group requires buyers of residential houses and lots and condominiums to pay minimum percentage of the total selling price before they enter into a sale transaction. Payments from buyers which have not reached the minimum required percentage are recognized as buyers' deposits. When the level of required payment is reached by the buyer, sales are recognized and these deposits and down payments will be applied against the related contracts receivable (see Note 2).

Certain agreements provide real property buyers to pay nonrefundable deposits. Nonrefundable deposits received amounting to ₱10.29 million, ₱8.00 million and ₱2.50 million are recorded as "Other income (charges) - net" in the consolidated statement of comprehensive income in 2018, 2017, and 2016, respectively.



*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.

*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 from contractors as insurance for the completion of various projects, which will be released upon completion and satisfaction of the terms and conditions of the related construction contracts.

*Others*

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

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**17. 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, 2018 and 2017 are as follows:

	2018	2017
Current	₱92,385,174	₱148,904,822
Noncurrent	8,477,930	20,366,614
	<b>₱100,863,104</b>	<b>₱169,271,436</b>

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**18. Short-term Loans**

Party	Year	Principal	Outstanding Balance	Terms	Conditions
Philippine Business Bank (PBB)	2018	₱15,390,000	₱7,695,000	180 to 360 days; 6.50% to 6.75% per annum; Monthly repricing of interest rate	Unsecured
	2017	105,350,000	37,400,000		
Bank of the Philippine Islands (BPI)	2018	–	15,000,000	180 to 360 days 6.00% per annum; Monthly repricing of interest rate	Unsecured
	2017	–	15,000,000		
Individuals and corporations (Note 23)	2018	92,320,000	221,200,000	180 to 360 days; 7.5% to 12.0% per annum	Unsecured
	2017	205,700,000	156,700,000		
	2018	₱107,710,000	₱243,895,000		
	2017	311,050,000	209,100,000		

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 ₱19.39 million, ₱4.9 million, and ₱15.40 million in 2018, 2017, and 2016, respectively.

## 19. Loans Payable

This account consists of:

	2018	2017
Loans payable - unsecured and secured by real estate mortgage	₱924,446,747	₱793,348,693
Loans payable - secured by contract receivable (Note 5)	116,816,570	181,108,098
Total loans payable	1,041,263,317	974,456,791
Less noncurrent portion of loans payable	366,440,893	566,755,607
Current portion of loans payable	₱674,822,424	₱407,701,184

### *Loans payable - unsecured and secured by real estate mortgage*

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. The current and noncurrent portions of long-term loans payable are as follows:

Party	Year	Principal	Outstanding Balance	Terms	Collateral
BPI	2018	₱190,000,000	₱84,748,961	4 to 6 years; 5.67% to 6.0% per annum; Quarterly repricing of interest rate	Secured by a real estate mortgage and certain parcel of land
	2017	₱210,000,000	₱161,666,667		
Sterling Bank of Asia	2018	31,500,000	24,165,000	1 year; 8.75% per annum	Secured by a real estate mortgage on certain property
	2017	—	—		
BDO Unibank, Inc. (BDO)	2018	4,831,200	2,451,580	5 years; 9.95% per annum	Unsecured
	2017	4,831,200	3,340,745		
Philippine Savings Bank (PSB)	2018	8,277,510	1,025	5 years; 6.03% to 11% per annum	Unsecured
	2017	8,277,510	1,486,385		
Bank of Makati	2018	80,000,000	80,000,000	4 years; 7.5% per annum	Secured by a real estate mortgage
	2017	—	—		
Malayan Bank (MB)	2018	—	—	3 years; 10.0% per annum	Unsecured
	2017	11,000,000	1,374,803		
Union bank (UBP)	2018	80,000,000	68,077,427	5 years; 7.0% per annum	Secured by a real estate mortgage on certain property
	2017	80,000,000	79,758,066		





Party	Year	Principal	Outstanding Balance	Terms	Collateral
Zambank (ZB)	2018	₱15,600,000	₱8,537,614	3 to 4 years; 8.0% per annum	Unsecured
	2017	₱15,000,000	₱15,000,000		
Veterans (PVB)	2018	242,000,000	202,556,394	5 years; 10.6% to 11% per annum	Secured by a real estate mortgage and certain parcel of land
	2017	283,043,159	264,565,366		
Other financing institutions	2018	668,003,000	453,908,746	1 to 2 years; 14% to 36% per annum	Unsecured
	2017	319,012,413	266,156,661		
Total	2018	1,320,211,710	924,446,747		
	2017	931,164,282	793,348,693		
Less noncurrent portion of loans payable	2018	–	364,273,819		
	2017	–	429,245,002		
Current portion of loans payable	2018	₱1,320,211,710	₱560,172,928		
	2017	₱931,164,282	₱364,103,691		

*Loans payable - secured by contract receivable (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:

	2018	2017
Due within one year	₱114,649,496	₱43,597,493
Due after one year	2,167,074	137,510,605
	₱116,816,570	₱181,108,098

Interest expense arising from the loans payable recognized in the consolidated statements of comprehensive income amounted to ₱135.09 million, ₱67.32 million, and ₱56.97 million in 2018, 2017, and 2016, respectively. In 2018, 2017, and 2016, capitalized borrowing cost amounted to ₱58.0 million, ₱25.11 million and ₱15.90 million, respectively, at a capitalization rate ranging from 7% to 36% (see Note 6).

The Group's debt instruments contain restrictive covenants which include, among others, maintenance of certain level of long-term debt-to-equity ratio and debt service coverage ratio based on the Group's financial statements, payment of any dividend or capital distributions to stockholders, payment of management bonuses or profit sharing to, or making any loans or advances to the Group's directors, officers and stockholders, sale of significant assets and to maintain a current ratio of at least 1.0 and its debt to tangible net worth ratio should not be more than 4.0 times until final payment date. As of December 31, 2018, the Group was able to meet the required debt covenants.



The schedule of maturities of the loans payable of the Group follows:

	2018	2017
Less than one year	₱674,822,424	₱407,701,184
One to two years	204,467,371	140,745,323
More than two years	161,973,522	426,010,284
	<b>₱1,041,263,317</b>	<b>₱974,456,791</b>

## 20. Obligation under Finance Lease and Installment Payable

### Obligation Under Finance Lease

Details of obligation under finance lease follow:

	2018	2017
Current	₱3,783,919	₱26,121,235
Noncurrent	4,038,485	8,624,968
	<b>₱7,822,404</b>	<b>₱34,746,203</b>

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 ₱1.60 million, ₱3.97 million and ₱6.59 million in 2018, 2017, and 2016, respectively.

Net book values of heavy equipment and transportation equipment under finance lease amounted to ₱37.99 million and ₱7.34 million as at December 31, 2018 and 2017, respectively.

### Installment Payable

In 2015, the Group acquired additional heavy equipment and transportation equipment amounting to ₱299.80 million. The Group initially paid ₱59.96 million and the remaining balance to be paid in equal monthly installments of ₱10.85 million (principal and interest) for a period of twenty-four (24) months with an interest rate of 8% per annum.

In 2018, the Group acquired additional heavy equipment amounting to ₱19.29 million. The Group initially paid ₱1.9 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.

Installment payable amounted to ₱13.55 million and nil in 2018 and 2017, respectively.

Interest expense arising from the installment payable amounted to ₱0.59 million, ₱0.48 million and ₱5.24 million in 2018, 2017, and 2016, respectively.

## 21. 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 23). 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 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.

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 meters.

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 sqm.

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 is not material.

Movement in the convertible loans as of December 31, 2018 and 2017 follows:

	2018	2017
Beginning balances	₱522,920,562	₱423,409,346
Additions	-	100,000,000
Amortization of day 1 difference	4,004,730	1,511,216
Payments	(61,500,000)	(2,000,000)
	<b>₱465,425,292</b>	<b>₱522,920,562</b>

As at December 31, 2018 and 2017, equity portion of convertible loans payable recognized as APIC in the consolidated statements of financial position amounted to ₱18.69 million.



Movement in unamortized 'Day 1' difference as of December 31, 2018 and 2017 follows:

	2018	2017
Beginning balances	₱9,079,618	₱10,590,834
Amortization of day 1 difference	(4,004,730)	(1,511,216)
	₱5,074,888	₱9,079,618

In 2018, 2017, and 2016, interest expense on the convertible loans, including the amortization of day 1 difference, recognized in the consolidated statements of comprehensive income amounted to ₱31.17 million, ₱19.01 million and ₱45.58 million, respectively.

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## 22. 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.

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 ₱0.29 million and nil for 2018 and 2017, respectively.

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## 23. 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, 2018 and 2017. 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
<i>Receivables (Note 5)</i>						
Advances	Officers	2018	₱12,019,302	₱63,168,811	Due and demandable; non-interest bearing	Unsecured
		2017	₱10,774,607	₱50,388,020		
<i>Short-term loans (Note 18)</i>						
Short-term loans	Officers & Shareholders	2018	₱12,000,000	₱47,700,000	180 days; 8.0% to 12.0% interest rate	Unsecured
		2017	₱8,000,000	₱53,200,000		
<i>Convertible loans (Note 21)</i>						
Convertible loans	Officers	2018	₱-	₱136,000,000	3 years; 8.0% interest rate; Convertible to PHA shares	Unsecured
		2017	₱-	₱136,000,000		
<i>Trade and other payables (Note 16)</i>						
Management fees	Officer	2018	₱400,000	₱400,000	Due and demandable; non-interest bearing	Unsecured
		2017	₱-	₱5,500,000		
Advances from shareholder	Officer	2018	136,027,985	136,027,985	Due and demandable; non-interest bearing	Unsecured
		2017	-	-		
		2018	₱136,427,985	₱367,313,969		
		2017	₱18,774,607	₱225,302,242		

#### Compensation of Group's Key Management Personnel

Compensation of the Group's key management personnel consists of short-term employee benefits amounting to ₱39.27 million, ₱37.82 million, and ₱24.50 million in 2018, 2017, and 2016, respectively. There are no post-employment benefits in 2018, 2017, and 2016. 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.

#### **24. Pension Liabilities**

The Group has an unfunded noncontributory 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 balance sheets 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:

	2018	2017	2016
Service cost	<b>₱2,275,664</b>	₱3,664,403	₱3,503,689
Interest expense on defined benefit obligation	<b>765,847</b>	1,004,528	748,719
	<b>₱3,041,511</b>	₱4,668,931	₱4,252,408

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

	2018	2017	2016
Actuarial gains (losses) due to:			
Changes in:			
Financial assumptions	<b>₱3,486,173</b>	₱6,836,928	₱2,339,162
Demographic assumptions	<b>757,852</b>	58,677	-
Experience adjustments	<b>(1,351,902)</b>	3,331,759	(1,773,870)
Remeasurement gains on defined benefit obligation	<b>2,892,123</b>	10,227,364	565,292
Income tax effect	<b>(528,657)</b>	(2,936,079)	(761,538)
	<b>₱2,363,466</b>	₱7,291,285	(₱196,246)

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 ₱0.53 million in 2018, ₱2.94 million in 2017 and ₱0.76 million in 2016.

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:

	2018	2017
Equity attributable to equity holders of the parent		
Balances at beginning of year	<b>₱5,854,194</b>	₱1,768,620
Actuarial gain	<b>1,828,582</b>	5,685,528
Income tax effect	<b>7,682,776</b>	7,454,148
Balances at end of year	<b>7,368,843</b>	5,854,194
Equity attributable to non-controlling interests		
Balances at beginning of year	<b>4,553,937</b>	1,348,226
Actuarial gain	<b>1,063,541</b>	4,541,836
Income tax effect	<b>5,617,478</b>	5,890,062
Balances at end of year	<b>(214,724)</b>	(1,336,125)
<b>Total amount recognized in OCI</b>	<b>₱12,771,597</b>	₱10,408,131



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

	2018	2017
Defined benefit obligation at beginning of year	₱13,183,317	₱19,124,656
Service cost	2,275,664	3,664,403
Interest expense on defined benefit obligation	765,847	1,004,528
Actuarial losses (gains) due to:		
Experience adjustments	(3,486,173)	(3,714,665)
Changes in demographic assumptions	(757,852)	(58,677)
Changes in financial assumptions	1,351,902	(6,836,928)
<b>Defined benefit obligation at end of year</b>	<b>₱13,332,705</b>	<b>₱13,183,317</b>

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:

Entity Name	Discount rate		Future salary increase rate	
	2018	2017	2018	2017
PHA	7.70%	5.77%	5.0%	5.0%
PGDI	7.53%	5.83%	10.0%	10.0%
GLCI	7.33%	5.78%	5.0%	5.0%

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:

	Increase (Decrease)	Effect on the retirement benefit obligation		
		PHA	PGDI	GLCI
Discount rate	+100bps	(₱96,666)	(₱1,083,364)	₱3,442,022
	-100bps	122,048	1,355,993	(4,263,091)
Salary increase	+100bps	124,253	1,308,686	4,287,843
	-100bps	(99,713)	1,070,269	(3,415,556)

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:

	Expected benefits payments
Less than one year	₱1,282,839
More than one year to five years	3,595,517
More than five years to 10 years	8,417,546
More than 10 years to 15 years	1,844,271
More than 15 years to 20 years	6,940,745
More than 20 years	11,576,117



## 25. Equity

### Capital Stock

The details of the number of common shares and the movements thereon follow:

	2018	2017	2016
Authorized - ₱0.25 par value	2,254,224,000	2,254,224,000	2,254,224,000
Issued and fully paid			
Balances at beginning and end of year	1,815,480,889	1,815,480,889	1,815,480,889
Subscribed	175,000,000	175,000,000	175,000,000
Treasury stock	187,768,793	225,268,793	270,268,793
Outstanding shares	1,802,712,096	1,765,212,096	1,720,212,096

Treasury stock pertains to Parent Company shares held by DSI.

### 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 subscriptions receivable. As at December 31, 2018 and 2017, subscription receivable amounted to ₱24.91 million.

### 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, 2018 and 2017. 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 items as of December 31, 2018 and 2017.

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

	2018	2017	2016
Retained earnings (deficit):			
Balances at beginning of year	₱212,014,477	₱180,338,549	₱145,004,082
Effect of adoption of PFRS 9	(7,112,820)	–	–
	204,901,657	180,338,549	145,004,082
Dividends declared	(42,200,000)	–	–
Net income (loss) for the year	(293,608,419)	31,675,928	35,334,467
	(130,906,762)	212,014,477	180,338,549
Cumulative remeasurement gain on defined benefit plan:			
Balances at beginning of year	5,854,194	1,768,620	2,192,423
Remeasurement gain (loss) during the year	1,514,649	4,085,574	(423,803)
	7,368,843	5,854,194	1,768,620
Equity reserves:			
Balances at beginning of year	(31,149,252)	(31,149,252)	(31,149,252)
Movement during the year	13,997,383	–	–
	(17,151,869)	(31,149,252)	(31,149,252)
	(₱140,689,788)	₱186,719,419	₱150,957,917





*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, 2018, the SEC approval on the property and cash dividends is still pending.

In September 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.

*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 has 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 the 2014 which is closed in the retained earnings under consolidated statements of changes in equity.

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.



**Non-controlling Interest**

Non-controlling interest consists of the following:

Name of Subsidiary	Percentage of Ownership			Equity Attributable to Non-Controlling Interest		
	2018	2017	2016	2018	2017	2016
PGDI	69.2%	80.0%	80.0%	₱204,556,468	₱27,049,979	₱26,262,403
PHMIC	98.9%	-	-	1,785,020	-	-
PSMVI	98.6%	-	-	1,936,587	-	-
GLCI	55.0%	55.0%	55.0%	237,766,080	313,986,999	299,225,485
CUBES	51.0%	51.0%	51.0%	56,730,089	69,293,869	74,149,677
				<b>₱502,774,244</b>	<b>₱410,330,847</b>	<b>₱399,637,565</b>

Net income attributable to non-controlling interest follows:

Name of Subsidiary	Percentage of Ownership			Net Income (Loss) Attributable to Non-Controlling Interest		
	2018	2017	2016	2018	2017	2016
PGDI	69.2%	80.0%	80.0%	₱3,886,079	₱699,489	₱2,680,114
PHMIC	98.9%	-	-	(714,979)	-	-
PSMVI	98.6%	-	-	(563,413)	-	-
GLCI	55.0%	55.0%	55.0%	(70,902,363)	11,643,890	20,556,135
CUBES	51.0%	51.0%	51.0%	(12,563,780)	(4,855,808)	(11,209,842)
				<b>(₱80,858,456)</b>	<b>₱7,487,571</b>	<b>₱12,026,407</b>

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

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)	<b>(₱157,560,807)</b>	<b>₱12,625,337</b>	<b>(₱2,265,798)</b>	<b>(₱1,772,648)</b>	<b>(₱25,640,368)</b>
Attributable to non-controlling interest	<b>(₱70,902,363)</b>	<b>₱3,886,079</b>	<b>(₱714,979)</b>	<b>(₱563,413)</b>	<b>(₱12,563,780)</b>

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)	<b>₱25,875,310</b>	<b>₱3,497,447</b>	<b>(₱9,909,812)</b>
Attributable to non-controlling interest	<b>₱11,643,890</b>	<b>₱699,489</b>	<b>(₱4,855,808)</b>



Summarized statement of income for 2016:

	GLCI	PGDI	CUBES
Revenues	₱605,423,264	₱297,833,328	₱7,882,924
Cost and expenses	(496,635,218)	(265,459,750)	(26,361,736)
Other charges	(40,402,489)	(12,793,580)	(4,398,350)
Income (loss) before income tax	68,385,557	19,579,998	(22,877,162)
Provision for income tax	(22,705,258)	(6,179,423)	(67)
Net income (loss)	₱45,680,299	₱13,400,575	(₱22,877,229)
Attributable to non-controlling interest	₱20,556,134	₱2,680,115	(₱11,209,842)

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	₱300,071,360	₱451,324,046	₱5,319,230	₱150,710,485	₱116,440,433
Non-controlling interest	245,512,930	200,689,890	5,110,633	69,482,467	54,252,519

Summarized balance sheet as of December 31, 2017:

	GLCI	PGDI	CUBES
Current assets	₱2,458,092,154	₱87,526,905	₱4,012,100
Noncurrent assets	89,796,711	266,943,424	84,249,565
Current liabilities	(636,754,619)	(207,809,145)	(52,116,132)
Noncurrent liabilities	(1,196,170,134)	(11,402,518)	(75,302)
Equity	₱714,964,112	₱135,258,666	₱36,070,231
Attributable to:			
Equity holders of the parent	₱393,230,264	₱108,206,934	₱18,395,818
Non-controlling interest	321,733,852	27,051,733	17,674,413

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 decrease in cash	₱3,199,643	₱3,920,173	(₱31,630)	(₱9,350)	(₱16,350)

Summarized cash flow information for year ended December 31, 2017:

	GLCI	PGDI	CUBES
Operating	(₱118,655,764)	₱43,506,076	(₱4,192,218)
Investing	(25,600,303)	(1,553,591)	667,075
Financing	123,290,784	(54,036,116)	3,193,389
Net decrease in cash	(₱20,965,283)	(₱12,083,631)	(₱331,754)



Summarized cash flow information for year ended December 31, 2016:

	GLCI	PGDI	CUBES
Operating	(P34,138,016)	P105,650,367	(P13,465,237)
Investing	(27,591,120)	36,455	(16,559,999)
Financing	(3,679,065)	(93,898,516)	28,324,032
Net increase (decrease) in cash	(P65,408,201)	P11,788,306	(P1,701,204)

Parent Company Shares held by a Subsidiary

On August 26, 2014, the BOD approved the buyback of shares of the Parent Company through its owned subsidiary DSI. As of December 31, 2018, and 2017, DSI holds 187.77 million and 225.21 million shares, respectively. Average price per share amounted to P0.33 and P0.36 in 2018 and 2017, respectively.

**26. Cost of Services**

	2018	2017	2016
Personnel cost (Note 28)	P65,910,698	P57,001,556	P59,441,126
Depreciation (Note 12)	56,109,556	57,522,090	82,334,950
Repairs and maintenance	47,315,624	36,592,410	31,272,594
Fuel and oil	15,479,496	37,741,425	50,649,259
Professional and legal fees	5,248,424	4,495,812	6,788,622
Transportation and travel	5,069,803	4,800,460	9,737,480
Taxes and licenses	5,060,960	5,767,134	6,154,570
Entertainment, amusement and recreation	2,628,961	2,466,531	2,826,623
Rentals and utilities	196,884	3,833,612	7,406,431
Others	277,458	11,105,587	3,271,526
	<b>P203,297,864</b>	<b>P221,326,617</b>	<b>P259,883,181</b>

**27. General and Administrative Expenses**

	2018	2017	2016
Personnel cost (Note 28)	P44,616,109	P51,639,486	P53,292,455
Professional and legal fees	43,436,909	20,659,557	36,495,095
Depreciation and amortization (Notes 11 and 12)	33,579,450	27,589,745	30,144,801
Commissions	27,269,112	27,243,712	37,497,159
Taxes and licenses	12,216,959	10,981,779	6,232,547
Rentals and utilities	6,922,411	8,450,182	11,908,156
Filing and listing fees	6,629,262	-	-
Transportation and travel	5,063,294	1,715,252	5,128,378
Outside services	3,246,138	2,102,599	3,252,862
Entertainment, amusement and recreation	2,704,124	596,147	3,847,132
Supplies and materials	1,614,336	2,057,497	667,275
Freight and handling	1,542,075	1,690,479	877,757
Advertising and promotions	965,699	1,771,241	4,772,769
Repairs and maintenance	569,899	500,767	2,090,905
Others	20,981,640	21,695,901	13,410,093
	<b>P211,357,417</b>	<b>P178,694,344</b>	<b>P209,617,384</b>



## 28. Personnel Costs

	2018	2017	2016
Cost of services:			
Salaries and wages	₱50,014,875	₱39,527,934	₱41,200,296
Pension expense (Note 24)	1,683,380	1,462,850	903,426
Other employee benefits	14,212,443	16,010,772	17,337,404
	<b>65,910,698</b>	<b>57,001,556</b>	<b>59,441,126</b>
General and administrative expenses:			
Salaries and wages	36,214,891	44,102,462	41,303,500
Pension expense (Note 24)	1,358,131	3,206,081	3,348,982
Other employee benefits	7,043,087	4,330,943	8,639,973
	<b>44,616,109</b>	<b>51,639,486</b>	<b>53,292,455</b>
	<b>₱110,526,807</b>	<b>₱108,641,042</b>	<b>₱112,733,581</b>

## 29. Impairment Losses

	2018	2017	2016
Exclusive right to distribute (Note 11)	₱105,345,829	₱-	₱-
Receivables (Notes 5 and 15)	29,956,083	6,000	2,025,000
Advances to supplier (Note 15)	15,064,761	-	-
Input VAT (Notes 7 and 15)	4,825,197	16,560	662,061
Goodwill (Note 11)	2,607,116	-	-
Film rights (Note 11)	500,619	556,243	796,460
Software	452,527	-	-
Security deposits (Note 15)	154,160	-	-
	<b>₱158,906,292</b>	<b>₱578,803</b>	<b>₱3,483,521</b>

## 30. Income Taxes

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

	2018	2017	2016
Current	₱16,636,525	₱5,257,160	₱12,362,638
Final	-	27,000,000	2,732,390
Deferred	(71,331,391)	(94,142,944)	55,509,107
	<b>(₱54,694,866)</b>	<b>(₱61,885,784)</b>	<b>₱70,604,135</b>

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

	2018	2017	2016
Income tax at statutory tax rate	(₱128,748,523)	(₱6,816,686)	₱35,389,503
Tax effects of:			
Impairment loss on exclusive right to distribute and goodwill	36,900,705	-	-
Movement of deferred taxes	31,689,425	18,476,693	12,234,739
Nondeductible expenses	4,299,294	2,748,566	1,927,557
Interest expense - accretion	1,201,419	453,365	1,702,295
Income subject to final tax	(37,186)	(91,376,795)	(8,761,447)



	2018	2017	2016
Capital gains tax	–	27,000,000	1,919,214
Taxable income	–	2,643,263	26,192,274
Difference in tax base and accounting base of land and land development	–	(15,014,190)	–
Provision for (benefit from) income tax	<b>(P54,694,866)</b>	<b>(P61,885,784)</b>	<b>P70,604,135</b>

Components of the Group's net deferred tax liabilities follow:

	2018	2017
Deferred tax asset recognized in profit or loss:		
Difference in the tax base and accounting base of land and land development	<b>P15,014,190</b>	P15,014,190
Allowance for impairment losses on receivables	<b>6,985,004</b>	1,488,287
Allowance for expected credit losses on receivables	<b>5,542,458</b>	–
Pension liabilities	<b>5,029,374</b>	4,777,203
Excess of MCIT over RCIT	<b>198,460</b>	–
	<b>32,769,486</b>	21,279,680
Deferred tax liabilities recognized in profit or loss:		
Gross profit on real estate sales	<b>112,780,584</b>	173,482,172
Increase in fair value due to purchase price allocation	<b>75,225,794</b>	79,740,615
Unrealized gain on foreign exchange	<b>4,066</b>	–
	<b>188,010,444</b>	253,222,787
Net deferred liabilities recognized in profit or loss	<b>155,240,958</b>	231,943,107
Deferred income liabilities recognized in other comprehensive income:		
Remeasurement actuarial gains on defined benefit obligation	<b>4,456,505</b>	4,099,548
Net deferred tax liabilities	<b>P159,697,463</b>	<b>P236,042,655</b>

Net deferred tax liabilities acquired in GLCI amounted to P141.00 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 P450.00 million. Prior to the transfer, the investment property's carrying value amounted to P399.95 million, which is also the fair value as at December 31, 2016. As a result of the transfer, a deferred tax asset amounting to P15.01 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 P50.05 million (see Note 14).

Capital gains tax recognized by the Group amounted to P26.94 million in 2017.

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:

	2018	2017
Allowance for impairment losses	<b>P267,386,771</b>	P257,597,485
NOLCO	<b>167,599,357</b>	146,347,537
Pension liabilities	<b>8,464,456</b>	7,804,174
Excess MCIT over RCIT	<b>2,909,875</b>	2,919,997
Effect of levelization of rent expense	<b>527,545</b>	527,545
Unrealized forex loss	–	223



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

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2018	₱89,875,818	₱	₱	₱89,875,818	2021
2017	56,176,221	-	-	56,176,221	2020
2016	21,549,257	(1,939)	-	21,547,318	2019
2015	72,284,606	(3,660,608)	(68,623,998)	-	2018
		(3,662,547)	(68,623,998)	₱167,599,357	

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

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2018	₱273,240	₱	₱	₱273,240	2021
2017	412,581	-	-	412,581	2020
2016	2,066,420	(121,889)	-	1,944,531	2019
2015	4,085,718	(3,522,833)	(562,885)	-	2018
	₱6,837,959	(₱3,644,722)	(₱562,885)	₱2,630,352	

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

### 31. Interest Expense

	2018	2017	2016
Loans payable (Note 19)	₱135,088,744	₱67,322,959	₱56,973,101
Convertible loans (Note 21)	31,166,984	19,006,484	45,578,215
Short term loans (Note 18)	19,393,174	4,878,757	15,399,597
Obligation under finance lease (Note 20)	1,596,819	3,977,517	6,591,709
Installment payable (Note 20)	587,305	477,265	5,243,594
	₱187,833,026	₱95,662,982	₱129,786,216

### 32. 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.

Earnings per share attributable to equity holders of the Parent Company

	2018	2017	2016
Net income (loss) attributable to equity holders of the Parent Company	(₱293,608,419)	₱31,675,928	₱35,334,467
Weighted average number of outstanding common shares *	1,735,512,885	1,762,992,918	1,720,401,466
Basic/diluted earnings (loss) per share	(₱0.1692)	₱0.0180	₱0.0205

\* 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.



	2018	2017	2016
No. of shares at the beginning of year	1,990,480,889	1,990,480,889	1,990,480,889
Weighted average number of shares issued during the year	-	-	-
Weighted average number of Parent Company shares held by a subsidiary	(254,968,004)	(227,487,971)	(270,079,423)
Weighted average number of outstanding common shares	1,735,512,885	1,762,992,918	1,720,401,466

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 anti-dilutive as at December 31, 2018, 2017, and 2016. Thus, the basic and diluted earnings per share are the same.

### 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 operations of CUBES which provides thermochiller system to certain customers.

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. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.





The following tables regarding business segments present the revenue and profit information for the years ended December 31, 2018, 2017 and 2016.

2018						
	Mining	Real Estate	Service Contracts	Others	Eliminations	Total
<b>Revenues</b>						
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
<b>Cost and Expenses</b>	(261,911,598)	(268,713,207)	(4,319,326)	(50,837,745)	(1,387,422)	(587,169,298)
<b>Operating Income (Loss)</b>	33,022,231	(86,002,168)	(1,805,513)	(38,792,745)	(13,387,422)	(106,965,617)
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)	(80,707,398)	(28,011,870)	(158,906,292)
Finance charges	-	-	-	-	-	-
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
<b>Net Income (Loss)</b>	₱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
<b>Revenues</b>						
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
<b>Cost and Expenses</b>	(233,409,787)	(399,639,209)	(11,735,123)	(42,432,033)	(1,857,546)	(689,073,698)
<b>Operating Income (Loss)</b>	13,732,641	79,836,180	(10,086,396)	(28,852,967)	(15,049,399)	39,580,059
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	-	-	-	(578,803)	-	(578,803)
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
<b>Net Income (Loss)</b>	₱3,497,447	₱25,875,310	(₱9,903,811)	₱22,599,615	(₱2,905,062)	₱39,163,499

2016						
	Mining	Real Estate	Service Contracts	Others	Eliminations	Total
<b>Revenues</b>						
External customer	₱297,833,328	₱605,423,264	₱7,882,924	₱-	₱-	₱911,139,516
Inter-segment	-	-	-	8,102,169	(8,102,169)	-
	297,833,328	605,423,264	7,882,924	8,102,169	(8,102,169)	911,139,516
<b>Cost and Expenses</b>	(181,368,137)	(493,094,431)	(22,756,890)	(48,326,632)	8,102,169	(737,443,921)
<b>Operating Income (Loss)</b>	116,465,191	112,328,833	(14,873,966)	(40,224,463)	-	173,695,595
Gain from change in fair value of investment property	-	-	-	158,937,240	-	158,937,240
Gain on sale of investment	-	-	-	10,257,441	-	10,257,441
Interest income	57,050	174,466	442	1,848,651	-	2,080,609
Impairment losses - net	-	-	(2,025,000)	(1,458,521)	-	(3,483,521)
Interest expense	(12,842,458)	(56,973,101)	(2,352,553)	(57,618,104)	-	(129,786,216)
Depreciation and amortization	(84,091,612)	(3,540,787)	(18,654,250)	(6,193,101)	-	(112,479,750)
Other income (expense) - net	(8,173)	16,396,146	(21,240)	2,376,878	-	18,743,611
Provision for income tax	(6,179,423)	(22,705,258)	(67)	(41,719,387)	-	(70,604,135)
<b>Net Income (Loss)</b>	₱13,400,575	₱45,680,299	(₱37,926,634)	₱26,206,634	₱-	₱47,360,874

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 2018 are presented below:

<b>By type of goods or services</b>	
Real estate	
Residential dwellings	₱175,534,117
Lots	7,176,922
Mining	
Service contracts	292,377,030
Service income	5,115,612
<b>Total revenue from contracts with customers</b>	<b>₱480,203,681</b>

Timing of Revenue Recognition

During the year, the Group has recognized total revenue from contracts with customers earned over time amounting to ₱480.20 million. 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, 2018, contract balances are as follows:

	Current	Noncurrent	Total
Contract assets	₱1,028,153,623	₱111,732,198	₱1,139,885,821
Contract liabilities	₱133,218,374	₱-	₱133,218,374

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 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.

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, house and lot and condominium unit. There is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the purchase application form and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include downpayment 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 house and lot and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

### 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:

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets at Amortized</b>				
<b>Cost/Loans and receivables:</b>				
Receivable from PAGCOR	₱3,042,702	₱3,042,702	₱3,042,702	₱3,042,702
Receivables - net	86,340,871	86,340,871	1,645,653,791	1,645,653,791
Security deposits	1,175,667	1,087,376	884,604	796,313
<b>Loans and borrowings/Other financial liabilities:</b>				
Loans payable including purchased land payable	559,689,171	924,446,747	793,348,693	1,149,533,159
Installment payable	13,544,836	17,356,500	-	-
Convertible loan	480,425,292	534,000,000	522,920,562	534,000,000
Callable loan	15,000,000	15,000,000	-	-

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 cash 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. The carrying amounts of loans payable equal their fair values because the remaining terms are less than 12 months.



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.

The fair value of the investment property was obtained using the Market Data 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 latest valuation report was made in April 2017, with the observable inputs as follows:

Observable inputs	Values
Land area (square meter)	4,999,414
Price per square meter	₱80.00
Fair value	₱399.5 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 is to be an eco-tourism themed/beach resort land development.

In 2017, the Group transferred its investment property to real estate held for sale.

The fair value in 2017 include the following observable inputs:

Observable inputs	Values
Land area (square meter)	4,999,414
Price per square meter	₱80.00
Fair value	₱399.5 million

Although no sales of truly comparable land have occurred, the following are believed to provide reasonable bases for comparison:

Observable inputs	Land 1	Land 2	Land 3
Land area (square meter)	45,000	41,777	29,932
Price per square meter	₱100.00	₱75.00	₱80.00

The fair value of the investment properties was estimated by using the Sales Comparison Approach (SCA), SCA is an approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. The selling price is adjusted for certain external and internal factors ranging from negative 20% to positive 15%. For SCA, the higher the price per sqm, the higher the fair value. Also, the higher the external and internal factors adjustments, the higher the fair value.



As of December 31, 2018 and 2017, 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, 2018 and 2017 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.

	2018			Total
	<120 days	121-360 days	>360 days	
<b>Financial liabilities:</b>				
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
<b>Financial assets:</b>				
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



	2017			Total
	<120 days	121-360 days	>360 days	
<i>Financial liabilities:</i>				
Trade and other payables				
Trade				
Third parties	₱190,039,782	₱17,176,910	₱-	₱207,216,692
Advances from third parties	343,722	223,000,000	-	223,343,722
Accrued expenses	11,414,137	2,390,501	5,100,000	18,904,638
Short-term loans*	64,688,055	77,752,375	227,658,000	370,098,430
Convertible loan*	11,077,505	398,751,246	13,091,811	422,920,562
Obligation under finance lease	958,022	25,163,213	8,624,968	34,746,203
Loans payable*	232,900,040	174,801,144	566,755,607	974,456,791
	₱511,421,263	₱919,035,389	₱821,230,386	₱2,251,687,038
Receivables				
Contracts receivables	633,659,495	756,501,115	163,921,405	1,554,082,015
Trade	38,187,271	2,956,352	1,388,982	42,532,605
Others	279,718	7,701,042	-	7,980,760
Other noncurrent assets				
Receivable from PAGCOR	-	-	3,042,702	3,042,702
Security deposits	-	481,230	403,374	884,604
	₱740,830,325	₱767,639,739	₱168,756,463	₱1,677,226,527

\*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:

	2018					
	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Medium Grade	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	₱4,987,981	₱43,301,349	₱1,381,089,516



	2017					
	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Medium Grade	Total			
Cash in banks	₱68,703,841	₱-	₱68,703,841	₱-	₱-	₱68,703,841
Receivables						
Contracts receivables	1,480,062,742	-	1,480,062,742	69,058,317	4,960,956	1,554,082,015
Trade	32,420,942	-	32,420,942	8,722,681	1,388,982	42,532,605
Others	-	7,687,127	7,687,127	-	293,633	7,980,760
Other noncurrent assets						
Receivable from PAGCOR	-	-	-	3,042,702	-	3,042,702
Refundable deposit	-	51,240,000	51,240,000	-	-	51,240,000
Security deposits	884,604	-	884,604	-	-	884,604
	₱1,582,072,129	₱58,927,127	₱1,640,999,256	₱80,823,700	₱6,643,571	₱1,728,466,527

An aging of the Group's past due or individually impaired receivables as of December 31, 2018 and 2017 are as follows:

**As of December 31, 2018**

	Past Due but not Impaired			Impaired Financial Assets	Total
	<120 days	121-360 days	>360 days		
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

**As of December 31, 2017**

	Past Due but not Impaired			Impaired Financial Assets	Total
	<120 days	121-360 days	>360 days		
Receivables					
Contacts receivable	₱40,137,402	₱13,405,052	₱15,515,863	₱4,960,956	₱74,019,273
Trade	38,187,271	2,956,352	-	1,388,982	42,532,605
Others	279,718	7,407,409	-	293,633	7,980,760
Receivable from PAGCOR	-	-	3,042,702	-	3,042,702
	₱78,604,391	₱23,768,813	₱18,558,565	₱6,643,571	₱127,575,340

The Group has determined that the credit quality of all neither past nor impaired financial assets as of December 31, 2018 and 2017 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 ₱18.32 million and ₱18.47 million as at December 31, 2018 and January 1, 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.

*Foreign currency risk*

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As of December 31, 2018 and 2017, the Group has no significant foreign currency denominated assets and liabilities that could materially impact the financial statements.

*Equity price risk*

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. As of December 31, 2018 and 2017, changes in fair value of equity instruments held as AFS financial assets due to reasonably possible changes in equity indices, with all other variables held constant, will increase unrealized gain on equity by nil and ₱0.01 million, if equity prices will increase by 1%. A similar change in the opposite direction would have decreased equity by the same amount.

*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. The Group has no financial instruments with variable interest rates exposed to interest rate risk as of December 31, 2018 and 2017.

### 35. Notes to Consolidated Statements of Cash Flows

The following table summarizes the changes in liabilities arising from financing activities in 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

In 2017, the Group advanced payments to third parties amounting to ₱126.37 million for mining-related projects that are being developed and pursued by the Group. The advances were used to subscribe to shares in the project Companies (PHMIC and PSMVI) in 2018 (see Note 15). In 2018, the Group received advances from shareholder in relation to the expenses incurred on the development activities of Panitian Limestone Project amounting to ₱136.03 million (see Note 16).





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## 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 Sapolite 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 \$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.

#### *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 ₱294.93 million, ₱247.14 million, and ₱297.83 million in 2018, 2017 and 2016, respectively. This includes equipment rental amounting to ₱2.56 million, ₱2.63 million and ₱6.88 million in 2018, 2017 and 2016, 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, ₱7.74 million, and ₱6.24 million in 2018, 2017 and 2016, 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:

<u>Project</u>	<u>Area (in sq.m.)</u>	<u>Location</u>	<u>Landowner's Share in Net Proceeds</u>
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.

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

#### CUBES

The Group 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 the Group's 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 the Group's 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 the Group's 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.



**PREMERE HORIZON ALLIANCE CORPORATION**  
**TABULAR SCHEDULE OF ALL EFFECTIVE STANDARDS AND**  
**INTERPRETATIONS PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2018**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2018		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs	✓		
	Amendments to PFRS 1: Meaning of 'Effective PFRSs	✓		
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments	Not early adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts	✓		
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9, Prepayment Features with Negative Compensation			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>				
<b>Effective as of December 31, 2018</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	PFRS 12, Clarification of the Scope of the Standard			✓
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 15</b>	Revenue from Contracts with Customers	✓		
<b>PFRS 16</b>	Leases	✓		
<b>PFRS 17</b>	Insurance Contracts			
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Presentation of Financial Statements – Disclosure Initiative	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
	PAS 7, Statement of Cash Flows, Disclosure Initiative	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period			✓
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization	✓		
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Bearer Plants			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate			✓
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans	✓		
<b>PAS 27 (Amended)</b>	Amendments to PAS 27: Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	PAS 28, Measuring an Associate or Joint Venture at Fair Value			✓
	Amendments to PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Long-term Interests in Associates and Joint Ventures			✓
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2018		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Tax effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendments to PAS 34: – Disclosure of Information ‘Elsewhere in the Interim Financial Report			✓
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization	✓		
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
<b>PAS 39</b>	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
<b>PAS 40</b>	Investment Property	✓		
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40	✓		
	PAS 40, Investment Property, Transfers of Investment Property	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate**			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2018		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

## 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 Subsidiaries (the Group) as at December 31, 2018 and 2017, and each of the three years in the period ended December 31, 2018 included in this Form 17-A and have issued our report thereon dated May 10, 2019. 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 Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), 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.



Alexis Benjamin C. Zaragoza III  
Partner  
CPA Certificate No. 109217  
SEC Accreditation No. 1627-A (Group A),  
April 4, 2017, valid until April 3, 2020  
Tax Identification No. 246-663-780  
BIR Accreditation No. 08-001998-129-2017,  
February 9, 2017, valid until February 8, 2020  
PTR No. 7332637, January 3, 2019, Makati City

May 10, 2019



**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, 2018**

**and**

**Independent Auditors' Report**

Philippine Peso

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**  
Supplementary Schedules Required  
By the Securities and Exchange Commission  
As of and for the Year Ended December 31, 2018

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IV.	Map of the relationships of the companies within the group (Part 1, 4H)	

NA: NOT APPLICABLE

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**

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Form Type

---

Amendment Designation (If applicable)

**December 31, 2018**

---

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, 2018

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IV.	Map of the relationships of the companies within the group (Part 1, 4H)	
NA:	NOT APPLICABLE	

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**  
**Schedule A - Financial Assets**  
**December 31, 2018**

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)
<i>Loans and receivables</i>				
Cash	-	₱68,980,256	₱-	₱-
Receivables	-			
Trade	-	86,134,954	-	-
Others	-	205,917	-	-
Contract asset	-	1,028,153,623	-	-
Other noncurrent assets	-			
Receivable from PAGCOR	-	3,042,702	-	-
Advances to Supplier	-	35,867,759	-	-
Cash Advances	-			
Security deposits	-	848,022	-	-
<i>Available-for-sale financial assets</i>	-			
Quoted equity security	-			
	-	<b>₱1,223,233,233</b>	-	-

See Note 4, 5 & 15 of the Consolidated Financial Statements.

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**  
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties, and**  
**Principal Stockholders (Other than Related Parties)**  
**December 31, 2018**

Name of Debtor	Beginning Balance	Additions	Collections	Ending Balance		
				Current	Non-Current	Total
Advances to officers and Employees	₱50,388,020	₱16,334,064	(₱3,553,273)	₱63,168,811	P-	₱63,168,811

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, 2018**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Balance at End of Period		
					Current	Non-Current	
Premiere Horizon Alliance Corporation	₱122,784,924	₱94,285,156	₱25,013,923	-	₱192,056,157	-	₱192,056,157
DSI	(43,618,594)				(43,618,594)	-	(43,618,594)
West Palawan Premiere Development Corp (WPP)	138,376,175	59,072,421	19,181,241	-	178,267,355	-	178,267,355
Redstone Construction & Development Corporation	153,693,010		155,788,540		2,095,530		2,095,530
PH Big Bounty Concepts Unplugged Business Environment Solutions, Inc. (CUBES)	(1,024,299)	2,111,475	116,053		971,123		971,123
	459,420		(1,084,044)		(624,624)		(624,624)
Goshen Land Capital, Inc.	2,807,042	9,022,904	2,807,042		9,022,904		9,022,904
Premiere e-Teleservices, Inc.	-				-		-
La Prima Hotel – Inc.	(4,964,137)	478,388	(624,624)		(5,110,373)		(5,110,373)
PH Mining and Development Corporation	14,267,072	61,000			14,328,072		14,328,072
PH Agriforest Corporation	(1,131,520)		56,438		(1,075,082)		(1,075,082)
	₱381,649,093	₱165,031,344	₱201,254,569	-	₱346,312,468	-	₱346,312,468

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**  
**Schedule D - Intangible Assets - Other Assets**  
**December 31, 2018**

Description	Beginning Balance	Additions at Cost	Deductions / Amortizations		Other Charges— Additions (Deductions)	Ending Balance
			Charged to cost and Expenses	Charged to Other Accounts		
Exclusive Right to Operate	₱120,395,233	—	105,345,829	₱—	₱15,049,404	—
Film Rights	5,006,190	—	500,619	—	—	4,505,571
Goodwill (including provisional goodwill)	18,308,920	—	2,607,116	—	—	15,701,804
Intangible Assets	₱143,710,343	—	₱108,453,564	₱—	₱15,049,404	₱20,207,375

See Note 11 of the Consolidated Financial Statements.

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**  
**Schedule E - Long-Term Debt**  
**December 31, 2018**

Name of Issuer and Type of Obligation	Amount Authorized By Indenture	Amount Shown as Current	Amount Shown as Long-term	Total
Convertible loans (8% - 10% interest rate; 3 years)				
S.J.Roxas & Co., Inc.	50,000,000	-	49,098,302	50,000,000
Myka Advisory and Consultancy Services, Inc.	10,000,000	-	9,819,660	10,000,000
Tarciso M. Medalla	10,000,000	-	9,819,660	10,000,000
Asian Alliance Investment Corporation	60,000,000	-	58,729,270	60,000,000
Abigail B. Arcilla	10,000,000	-	9,734,514	10,000,000
Mr. Raul Ma. F. Anonas	46,000,000	-	44,829,161	46,000,000
Philippine Business Bank, Inc. - Trust and Investments Center	55,000,000	-	58,419,362	55,000,000
United Coconut Planters Life Assurance Corporation	100,000,000	-	98,569,220	100,000,000
Jaime I Cabangis	3,000,000	-	4,890,961	3,000,000
Multinational Bancorporation Enterprise Development	15,000,000	-	9,395,058	15,000,000
Jaime Cabangis and/or Manuel Federico Santos	1,500,000	-	9,395,058	1,500,000
Roberto V. San Jose	10,000,000	-	1,335,218	10,000,000
Francisco Colayco	5,000,000	-	5,808,581	5,000,000
TIIC	100,000,000	-	98,569,220	100,000,000

Name of Issuer and Type of Obligation	Amount Authorized By Indenture	Amount Shown as Current	Amount Shown as Long-term	Total
Bank of the Philippine Islands (BPI) (4 to 6 years; 5.67% to 6.0% per annum)	84,748,961		84,748,961	84,748,961
BDO Unibank, Inc. (5 years; 6.88 % for the first three years and yearly repricing thereafter)	2,451,580	506,006	1,945,574	2,451,580
Philippine Savings Bank (PSB)	1,025	-	1,025	1,025
Malayan Bank (MB) (3 years; 10.0% per annum)	-	-	-	-
Unionbank (5 years, 6%-7% per annum)	68,077,427	4,084,645.62	63,992,781.38	68,077,427
Zambank (4 years, 8% per annum)	8,537,614	683,009.12	7,854,604.88	8,537,614
Veterans (1-5 years, 6.29%-6.84% per annum)	202,556,394	83,129,145	119,427,249	202,556,394
Others financing institutions (1-2 years, 1.5%-7% per annum)	800,664,777	392,552,003.46	155,224,047.20	800,664,777
	<b>₱1,635,451,023</b>	<b>₱779,639,508.00</b>	<b>₱901,607,487.46</b>	<b>₱1,635,451,023</b>

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**  
**Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)**  
**December 31, 2018**

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
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**NONE TO REPORT**

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**  
**Schedule G - Guarantees of Securities and Other Issuers**  
**December 31, 2018**

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
<b>NONE TO REPORT</b>				

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**  
**Schedule H - Capital Stock**  
**December 31, 2018**

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		1,815,480,889	-	-	-	-
Subscribed	175,000,000	-	-	-	-	-
Treasury	-	187,768,793	-	-	-	-
Shares reserved for conversion	-	-	-	-	-	-

See Note 25 of the Consolidated Financial Statements.

**PREMERE HORIZON ALLIANCE CORPORATION**  
**TABULAR SCHEDULE OF ALL EFFECTIVE STANDARDS AND**  
**INTERPRETATIONS PURSUANT TO SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2018**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs	✓		
	Amendments to PFRS 1: Meaning of 'Effective PFRSs	✓		
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments	Not early adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts	✓		
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9, Prepayment Features with Negative Compensation			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	PFRS 12, Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases	✓		
PFRS 17	Insurance Contracts			
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Presentation of Financial Statements – Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	PAS 7, Statement of Cash Flows, Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period			✓
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization	✓		
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Amendments to PAS 27: Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	PAS 28, Measuring an Associate or Joint Venture at Fair Value			✓
	Amendments to PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Tax effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendments to PAS 34: – Disclosure of Information ‘Elsewhere in the Interim Financial Report			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization	✓		
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40	✓		
	PAS 40, Investment Property, Transfers of Investment Property	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate**			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2018		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

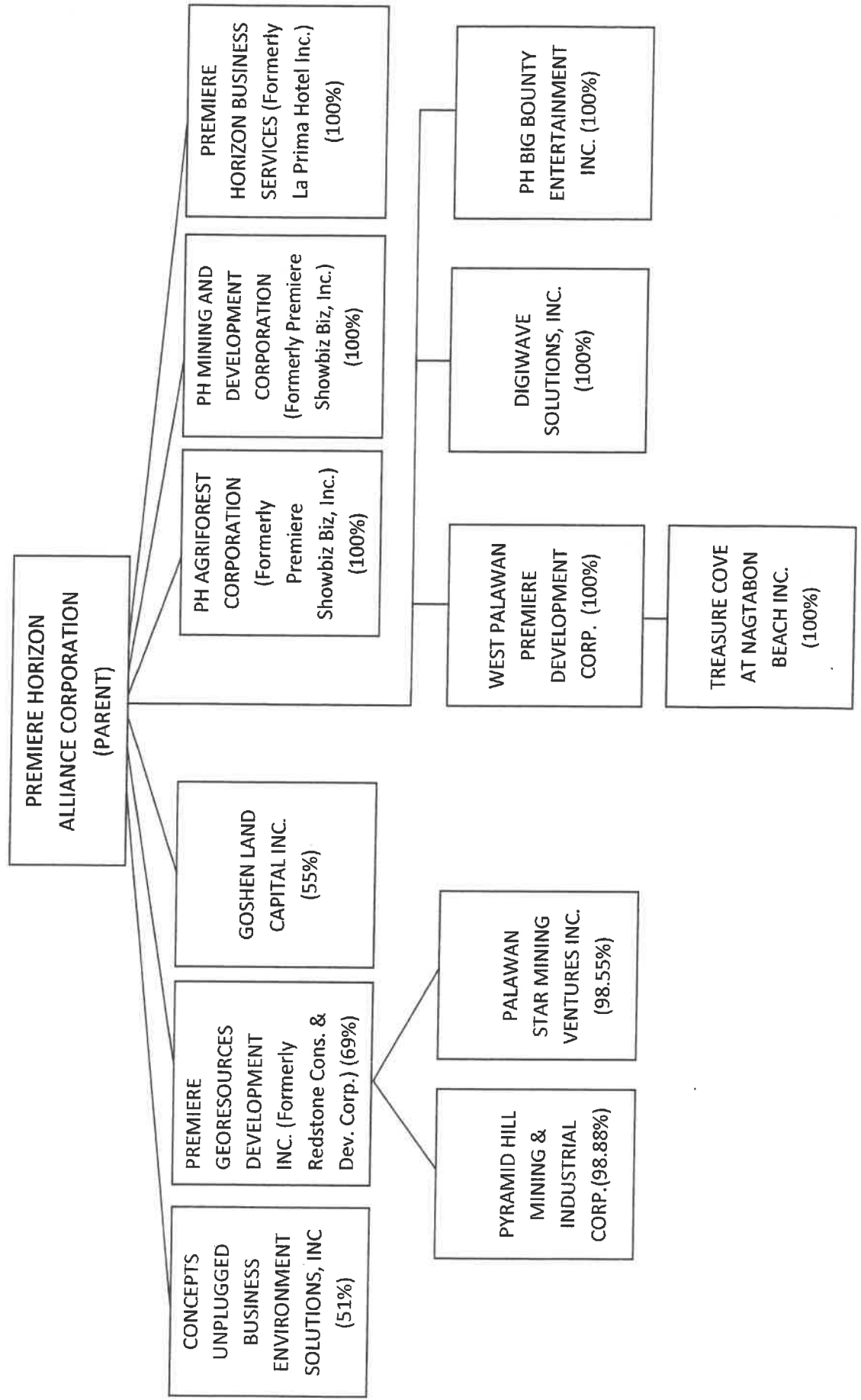
**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**  
**KEY FINANCIAL RATIOS**

	Audited		
	Dec 31, 2018	Dec 31, 2017 (As Restated)	Change
<b>1 Current Ratio or Working Capital Ratio</b>			
Total Current Assets	2,882,278,685	3,213,607,496	
Total Current Liabilities	1,917,066,838	1,706,233,553	
	<u>1.50</u>	<u>1.88</u>	<u>(0.38)</u>
<b>2 Solvency Ratio</b>			
Total Assets	3,745,158,731	4,096,552,694	
Total Liabilities	2,964,511,451	3,094,377,276	
	<u>1.26</u>	<u>1.32</u>	<u>(0.06)</u>
<b>3 Debt-to-Equity Ratio</b>			
Total Liabilities	2,964,511,451	3,094,377,276	
Stockholders' Equity	780,647,280	1,002,175,418	
	<u>3.80</u>	<u>3.09</u>	<u>0.71</u>
<b>4 Debt Ratio</b>			
Total Liabilities	2,964,511,451	3,094,377,276	
Total Assets	3,745,158,731	4,096,552,694	
	<u>0.79</u>	<u>0.76</u>	<u>0.04</u>
<b>5 Return on Assets</b>			
Net Income	(374,466,876)	39,163,499	
Average Assets	3,920,855,713	3,910,094,492	
	<u>(0.10)</u>	<u>0.01</u>	<u>(0.11)</u>
<b>6 Asset-to-Equity Ratio</b>			
Total Assets	3,745,158,731	4,096,552,694	
Stockholders' Equity	780,647,280	1,002,175,418	
	<u>4.80</u>	<u>4.09</u>	<u>0.71</u>
<b>7 Times Interest Earned</b>			
Earning Before Interest Interest	(241,328,716)	72,940,697	
	187,833,026	95,662,982	
	<u>(1.28)</u>	<u>0.76</u>	<u>(2.05)</u>

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**

Map of the relationship of the companies within the group

For the year ended December 31, 2018







108142019001761



# SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0531 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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### Company Information

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SEC Registration No. 0000147584  
Company Name PREMIERE HORIZON ALLIANCE CORPORATION  
Industry Classification Other Entertainment Activities  
Company Type Stock Corporation

### Document Information

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# COVER SHEET

1 4 7 5 8 4

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Number

PREMIERE HORIZON ALLIANCE  
CORPORATION

(Company's Full Name)

UNIT 1705 17TH FLOOR, EAST TO  
WER PHILIPPINE STOCK EXCHANGE  
CENTRE, EXCHANGE ROAD ORTIGAS  
CENTER, PASIG CITY

RAUL MA. F. ANONAS

Contact Person

Tel No. 632-7715

Company Telephone Number

SEC FORM 17-Q

(2<sup>nd</sup> Quarter - 2019)

1 2      3 1  
Month      Day  
Fiscal Year  
Meeting

FORM TYPE

0 5                 
Month      Day  
Annual

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

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Cashier

STAMPS

PSE No.  
SEC No. 147584  
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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

1. For the quarterly period ended: **June 30, 2019**

2. Commission identification number: **147584**

3. BIR Tax Identification No.: **043-002-727-376**

4. Exact name of registrant 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 registrant's principal office: Postal Code

**Unit 1705, East Tower, Philippine Stock Exchange Centre,  
Exchange Road, Ortigas Center, Pasig City. 1605**

8. Registrant's telephone number, including area code: **(02) 632-77-14 to 15**

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

**NOT APPLICABLE**

10. Securities registered pursuant to Sections 8 & 12 of the Code, or Sections 4 & 8 of the RSA:

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
---------------------	---

<b><u>COMMON STOCK P 0.25 PAR VALUE</u></b>	<b><u>1,990,889,480 COMMON SHARES</u></b> <b>1,815,480,889 Issued and listed</b>
---	---

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes  No  (Please refer to item 10.)

12. Indicate by check mark whether the registrant:

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

Yes  No  Not applicable - issuer has less than 100 holders of securities

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

Yes  No  Not applicable - issuer has less than 100 holders of securities

## PART I-FINANCIAL INFORMATION

### Item 1. Financial Statements

The Unaudited Financial Statements as of the second quarter of 2019 are attached to this Report.

1. The accompanying financial statements are prepared in accordance with the generally accepted accounting principles in the Philippines.
2. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company and its subsidiaries use the following key performance indicators: 1) **revenues**; 2) **gross profit / loss**; 3) **gross profit ratio** (computed as gross profit divided by the gross revenues); 4) **net income / loss**; 5) **net profit ratio** (computed as net profit divided by the gross revenues); 6) **net profit attributable to parent**; 7) **12 months trailing net income (loss)** (computed as year to date net income (loss) plus net income of the latest annual income minus the previous year to date net income (loss)); 8) **12 months trailing net income (loss) per share** (computed as 12 months trailing net income (loss) divided by weighted average number of shares); 9) **debt-to-equity ratio** (computed as total liabilities divided by total Stockholders' Equity); 10) **current ratio** (computed as total current assets divided by total current liabilities); 11) **debt ratio** (computed as total liabilities divided by total assets); and 12) **return on investment** (computed as net income divided by investment).

		June 30, 2019	June 30, 2018	Inc/(Dec)
1.	Revenues	Php266,114	Php243,030	23,084
2.	Gross Profit / Loss	Php101,497	Php88,934	7,515
3.	Gross Profit/Loss Ratio	38%	37%	1%
4.	Net Profit / Loss	Php (99,097)	Php (55,401)	(43,696)
5.	Net Profit / Loss Ratio	-37%	-23%	-14%
6.	Net Profit / Loss attributable to Parent	Php (77,848)	Php (47,775)	(30,073)
7.	12 months trailing net income (loss)	Php (418,163)	Php22,319	(440,482)
8.	Trailing 12months earnings(loss) per	(0.2)	0.01	(0.21)

share basic				
		<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>Inc/(Dec)</b>
9.	Debt -to- Equity Ratio	4.65:1	3.80:1	0.85
10.	Current Ratio	1.42:1	1.50:1	(0.08)
11.	Debt Ratio	1.22:1	1.26:1	(0.04)
12.	Return on Assets	-0.05:1	-0.10:1	(0.15)

During the 2<sup>nd</sup> quarter of 2019 the Group generated gross revenues of Php266,144 thousand broken down into Php77,804 thousand from real estate sales and Php188,309 thousand from mining related services.

Gross profit in the 2<sup>nd</sup> Quarter of 2019 and 2018 amounted to Php101,497 thousand and Php 88,934 thousand, respectively, which shows an increase of Php12,563 thousand or 14.13%.

The Group's net loss attributable to the equity holder of the parent in the 2<sup>nd</sup> Quarter of 2019 and 2018 amounted to Php77,848 thousand and Php47,775 thousand, respectively, which shows an increase of Php30,073 thousand or 62.95%.

The Group's 12 months trailing net income(loss) in the 2<sup>nd</sup> Quarter of 2019 and 2018 amounted to Php (418,163) thousand and Php 22,319 thousand, respectively, which shows a decrease of Php 440,482 thousand 1,974%.

The Group's trailing net income (loss) per share in the 2<sup>nd</sup> Quarter of 2019 and 2018 amounted to (0.2) and 0.01 thousand, respectively, which shows a decrease of 0.21.

The Debt-to-Equity Ratio is 4.65:1 and 3.80:1 in the 2<sup>nd</sup> quarter of 2019 and year end 2018, respectively.

The Current Ratio is 1.42:1 and 1.50:1 in the 2<sup>nd</sup> quarter of 2019 and year end 2018, respectively.

The Debt Ratio is 1.22:1 and 1.26:1 in the 2<sup>nd</sup> quarter of 2019 and year end 2018, respectively.

The Return on Assets is -0.05:1 and -0.10:1 in the 2<sup>nd</sup> quarter of 2019 and year end 2018, respectively.

There were no events that triggered direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

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

The following are the causes for the material changes, i.e. those amounting five percent (5%) of the relevant accounts or such lower amount, between this period versus the previous, on a vertical and horizontal basis of analyses:

## Financial Position

- **Cash** – As of June 30, 2019 and December 31, 2018, this account amounted to Php70,091 thousand and Php68,980 thousand, respectively, which shows a decrease of Php1,111 thousand or 1.61%. Cash provided by operating activities amounted to Php38,322 thousand; cash used in investing activities amounted to Php143,181 thousand; while cash provided by financing activities amounted to Php105,970 thousand; the said cashflows represents the net decrease during the reporting period.
- **Contract Assets** – As of June 30, 2019 and December 31, 2018, this account amounted to Php1,051,709 thousand and Php1,028,154 thousand, respectively, which shows an increase of Php23,555 thousand or 2.29%. The increase primarily came from the additional uncollected contract assets during the reporting period.
- **Receivables, net** – As of June 30, 2019 and December 31, 2018, this account amounted to Php103,289 thousand and Php86,341 thousand, respectively, which shows an increase of Php16,948 thousand or 19.63%. The increase primarily came from the additional uncollected receivables during the reporting period.
- **Real Estate Held for Sale** – As of June 30, 2019 and December 31, 2018, this account amounted to Php1,583,887 thousand and Php1,606,444 thousand, respectively, which shows an increase of Php22,557 thousand or 1.40%. This account did not have a material change during the reporting period.
- **Other current assets** – As of June 30, 2019 and December 31, 2018, this account amounted to Php152,960 thousand and Php92,360 thousand, respectively, which shows an increase of Php60,600 thousand or 65.61%. The increase primarily came from the additional advances made to suppliers and contractors, and the current portion of deferred input VAT of the heavy equipment acquired during the reporting period.
- **Deferred Exploration Cost** – As of June 30, 2019 and December 31, 2018, this account both amounted to Php390,197 thousand. This account did not have a material change during the reporting period.
- **Property and equipment, net** – As of June 30, 2019 and December 31, 2018, this account amounted to Php370,013 thousand and Php294,916 thousand, respectively, which shows a net increase of Php75,097 thousand or 25.46%. The increase primarily came from the additional heavy equipment acquired during the reporting period.
- **Other noncurrent assets** – As of June 30, 2019 and December 31, 2018, this account amounted to Php55,841 thousand and Php45,828 thousand, respectively, which shows an increase of Php10,013 thousand or 21.85%. The increase primarily came from the noncurrent portion of deferred input VAT of the heavy equipment acquired during the reporting period.
- **Trade and other payables** – As of June 30, 2019 and December 31, 2018, this account amounted to Php857,488 thousand and Php703,034 thousand, respectively, which shows an increase of Php154,454 thousand or 21.97%. The increase primarily came from unpaid accruals.

- **Short-term debt** – As of June 30, 2019 and December 31, 2018, this account amounted to Php247,700 thousand and Php243,895 thousand, respectively, which shows an increase of Php3,805 thousand or 1.56%. The increase came from the additional short-term debt availed during the period.
- **Income tax payable** – As of June 30, 2019 and December 31, 2018, this account amounted to Php4,106 thousand and Php665 thousand, respectively, which shows an increase of Php3,441 thousand or 517.39%. The increase came from the additional taxable income during the period.
- **Loans payable** – As of June 30, 2019 and December 31, 2018, this account amounted to Php1,044,271 thousand and Php1,041,264 thousand, respectively, which shows an increase of Php3,007 thousand or 0.29%. Current and noncurrent portion as of June 30, 2019 amounted to Php677,830 Thousand and Php366,441 Thousand, respectively. This account did not have a material change during the reporting period.
- **Obligations under finance lease** – As of June 30, 2019 and December 31, 2018, this account amounted to Php4,747 thousand and Php7,823 thousand, respectively, which shows a decrease of Php3,076 thousand or 39.33%. Current and noncurrent portion as of June 30, 2019 amounted to Php707 Thousand and Php4,039 Thousand, respectively. The decrease primarily came from the payments made during the reporting period.
- **Installment payable** – As of June 30, 2019 and December 31, 2018, this account amounted to Php106,614 thousand and Php13,555 thousand, respectively, which shows an increase of Php93,059 thousand or 686.53%. Current and noncurrent portion as of June 30, 2019 amounted to Php8,648 Thousand and Php96,966 Thousand, respectively. The increase came from the additional loans for the acquisition of heavy equipment.
- **Convertible loans** – As of June 30, 2019 and December 31, 2018, this account amounted to Php463,925 thousand and Php465,425 thousand, respectively, which shows a decrease of Php1,500 thousand or 0.32%. This account did not have a material change during the reporting period.

## Performance

- **Revenues** - The Group's revenues in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php266,114 thousand and Php243,030 thousand, respectively, which shows an increase of Php23,084 thousand or 9.50%.

Revenue from the real estate sales in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php77,804 thousand and Php136,757 thousand, respectively, which shows a decrease of Php58,953 thousand or 43.11%. This is due primarily to the decrease in new sales and lower recognized sales via percentage of completion.

Revenue from the mining related services in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php188,309 thousand and Php106,273 thousand, respectively, which shows an increase of Php82,036 thousand or 77.19%. This is due primarily to the increase in the volume of ore extracted/and hauled.

- **Cost of real estate sold** – The Group's cost of real estate sold in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php50,934 thousand and Php72,206

thousand, respectively, which shows a decrease of Php21,272 thousand or 29.46%. The costs of the real estate sold decreased due to the slowdown of construction works.

- **Cost of services** – The Group's cost of services in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php113,682 thousand and Php81,890 thousand, respectively, which shows an increase of Php31,792 thousand or 38.82. The Cost of services increased due to the higher direct costs from the increase in the volume of ore extracted/and hauled.
- **Personnel Costs** – The Group's personnel costs in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php39,311 thousand and Php22,488 thousand, respectively, which shows an increase of Php16,823 thousand or 74.81%. The increase primarily came from the increase in salaries and additional personnel.
- **Professional and legal fees** – The Group's professional and legal fees in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php15,579 thousand and Php11,309 thousand, respectively, which shows an increase of Php4,270 thousand or 37.76%. The increase primarily came from the additional and increase in fees charged by professionals.
- **Advertising** – The Group's advertising expenses in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php10,464 thousand and Php13,816 thousand, respectively, which shows a decrease of Php3,352 thousand or 24.26%. The decrease primarily came from the lower requirements of operations.
- **Taxes and licenses** – The Group's taxes and licenses in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php10,036 thousand and Php4,941 thousand, respectively, which shows an increase of Php5,095 thousand or 103.12%. The increase primarily came from the higher taxes and taxable transactions incurred by the Group.
- **Depreciation and amortization** – The Group's depreciation and amortization in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php8,767 thousand and Php8,335 thousand, respectively, which shows an increase of Php432 thousand or 5.18%. The increase primarily came from the increase in depreciable assets due to the acquisition of heavy equipment.
- **Entertainment, amusement and recreation** – The Group's entertainment, amusement and recreation in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php4,294 thousand and Php2,866 thousand, respectively, which shows an increase of Php1,428 thousand or 49.83%. The increase primarily came from the increased in the requirements of operations.
- **Rent, utilities, and supplies** – The Group's rent, utilities, and supplies in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php4,117 thousand and Php5,112 thousand, respectively, which shows a decrease of Php1,005 thousand or 19.61%. The decrease primarily came from the decrease in the requirements of operations.
- **Transportation and Travel** – The Group's transportation and travel in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php4,073 thousand and Php4,659 thousand, respectively, which shows a decrease of Php586 thousand or 12.57%. The decrease primarily came from the lower requirements of operations.



- **Repairs and maintenance** – The Group's repairs and maintenance in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php1,911 thousand and Php861 thousand, respectively, which shows an increase of Php1,050 thousand or 121.97%. The increase primarily came from additional repairs undertaken during the period.
- **Other Expenses** – The Group's other expenses in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php14,134 thousand and Php13,251 thousand, respectively, which shows an increase of Php883 thousand or 6.66%. The increase primarily came from the additional requirements of operations.
- **Other income - net** – The Group's other income -net in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php16,632 thousand and Php11,376 thousand, respectively, which shows an increase of Php5,256 thousand or 46.20%. The increase primarily came from higher service income earned from operations during the first half of 2019.
- **Interest income** – The Group's interest income in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php23 thousand and Php29 thousand, respectively, which shows a decrease of Php6 thousand or 22.14%. The decrease primarily came from the lower balance of interest earning assets.
- **Interest expense** – The Group's interest expense in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php97,875 thousand and Php68,092 thousand, respectively, which shows an increase of Php29,783 thousand or 43.74%. The increase primarily came from the additional interest-bearing loans during the first half of 2019.
- **Provision for income tax (benefit)** –The Group's provision for income tax (benefit) in the 2<sup>nd</sup> quarter of 2019 and 2018 amounted to Php6,686 thousand and nil, respectively. This came from the taxable income of a subsidiary.

For assessing impairment of goodwill, a test of impairment is performed annually or when circumstances indicate that the carrying value may be impaired.

There were no seasonal aspects that had any material effect on the financial condition or results of operation.

During the 2<sup>nd</sup> quarter of 2019 the Group's gross revenues and net loss amounted to Php266,114 thousand and Php99,097 thousand, respectively; while, in 2018 the same amounted to Php243,030 thousand and Php55,401 thousand, respectively. In the 2<sup>nd</sup> quarter of 2019 and 2018, The equity holder of the Parent amounted to Php 77,848 thousand and Php47,775 thousand in net loss, respectively.

As of the June 30, 2019 and December 31, 2018, The Group's total assets amounted to Php3,909,927 thousand and Php3,745,159 thousand, respectively; the total liabilities of the same period amounted to Php3,217,702 thousand and Php2,964,512 thousand, respectively.

The Parent Company incorporated West Palawan Premiere Development Corp. as a 100% owned subsidiary.

The Parent Company increased its ownership interest in Redstone Construction and Development Corporation to 80%. The increase took effect in the 1st half of 2015.

In the 1st half of 2015, the Company acquired Goshen Land Capital, Inc. and obtained a 55% ownership thus gaining control.

In 1<sup>st</sup> half of 2015, the Parent Company increased its ownership to the Concepts Unplugged: Business Environment Solutions, Inc. (CUBES) an affiliate in 2014. The increase in ownership gave the parent the power to control.

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**Item 3.** No relevant disclosure covered by this Item was made since there is no event that triggered any direct or contingent financial obligation that is material to the company. Likewise, no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons was created during the reported period.

## SIGNATURES

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

**PREMIERE HORIZON ALLIANCE CORPORATION**  
Issuer



**AUGUSTO ANTONIO C. SERAFICA, JR.**  
President & CEO

Date: August 08, 2019



**MANOLO B. TUASON**  
Senior Vice President & Chief Financial Officer

Date: August 08, 2019

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In Php000.00)

	Unaudited June 30, 2019	Audited December 31, 2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	70,091	68,980
Contract Assets	1,051,709	1,028,154
Receivables	103,289	86,341
Real Estate Held for Sale	1,583,887	1,606,444
Other current assets	152,960	92,360
<b>Total current assets</b>	<b>2,961,936</b>	<b>2,882,279</b>
<b>Noncurrent Assets</b>		
Noncurrent portion of contract assets	111,732	111,732
Deferred exploration costs	390,197	390,197
Intangible assets	20,207	20,207
Property and equipment	370,013	294,916
Other noncurrent assets	55,841	45,828
<b>Total Noncurrent assets</b>	<b>947,991</b>	<b>862,880</b>
<b>Total Assets</b>	<b>3,909,927</b>	<b>3,745,159</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	857,488	703,034
Contract liabilities	133,218	133,218
Short-term debt	247,700	243,895
Dividend payable	39,800	39,800
Capital gains tax payable	16,815	16,815
Income tax payable	4,106	665
Current portion of long term debt:		
Purchased land payable	92,385	92,385
Loans payable	677,830	674,823
Obligation under finance lease	707	3,784
Installment payable	8,648	8,648
<b>Total Current Liabilities</b>	<b>2,078,698</b>	<b>1,917,067</b>
<b>Noncurrent Liabilities</b>		
Pension Liabilities	13,333	13,333
Convertible loans	463,925	465,425
Callable loans	15,000	15,000
Noncurrent portion of long term debt:		
Purchased land payable	8,478	8,478
Obligation under finance lease	4,039	4,039
Loans payable	366,441	366,441
Installment payable	97,966	4,907
Capital gains tax payable	10,125	10,125
Deferred tax liabilities-Net	159,697	159,697
<b>Total Noncurrent Liabilities</b>	<b>1,139,004</b>	<b>1,047,445</b>
<b>Total Liabilities</b>	<b>3,217,702</b>	<b>2,964,512</b>
<b>Stockholders' Equity</b>		
<b>Equity attributable to equity holders of the parent</b>		
Capital stock	483,390	472,715
Additional paid-in capital	66,074	66,074
Retained earnings	(218,538)	(140,690)
Parent Company shares held by a subsidiary	(120,226)	(120,226)
Equity attributable to Parent	210,700	277,873
Equity attributable to non-controlling interests	481,526	502,774
<b>Total Equity</b>	<b>692,225</b>	<b>780,647</b>
<b>Total Liabilities and Equity</b>	<b>3,909,927</b>	<b>3,745,159</b>

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**

**Unaudited Consolidated Statements of Comprehensive Income**

(In Php000.00)

	For six months ended June		For three months ended	
	30		June 30	
	2019	2018	2019	2018
<b>REVENUES</b>				
Real estate sales	77,804	136,757	40,873	32,468
Mining related services	188,309	106,273	137,762	92,571
<b>Total revenue</b>	<b>266,114</b>	<b>243,030</b>	<b>178,635</b>	<b>125,039</b>
Costs of real estate sold	50,934	72,206	30,898	7,662
Costs of services	113,682	81,890	81,206	55,893
<b>Total Cost of Sales and Services</b>	<b>164,617</b>	<b>154,096</b>	<b>112,104</b>	<b>63,555</b>
<b>GROSS PROFIT</b>	<b>101,497</b>	<b>88,934</b>	<b>66,532</b>	<b>61,484</b>
<b>OTHER COSTS AND EXPENSES</b>				
Professional and legal fees	15,579	11,309	8,572	2,045
Personnel costs	39,311	22,488	30,366	13,306
Advertising	10,464	13,816	5,796	6,385
Taxes and licenses	10,036	4,941	3,789	1,644
Depreciation and amortization	8,767	8,335	5,613	4,170
Rent and utilities and supplies	4,117	5,122	1,747	2,803
Transportation and travel	4,073	4,659	2,206	2,331
Entertainment, amusement and recreation	4,294	2,866	2,663	1,246
Repairs and maintenance	1,911	861	1,396	328
Others	14,134	13,251	6,716	5,455
	<b>112,687</b>	<b>87,648</b>	<b>68,864</b>	<b>39,713</b>
<b>INCOME(LOSS) BEFORE OTHER INCOME AND CHARGES</b>	<b>(11,190)</b>	<b>1,286</b>	<b>(2,332)</b>	<b>21,771</b>
<b>OTHER INCOME(CHARGES)</b>				
Gain on change in FV of investment property				
Interest income	23	29	13	(1,718)
Other income-net	16,632	11,376	9,205	5,290
Interest expenses	(97,875)	(68,092)	(63,271)	(31,814)
	<b>(81,221)</b>	<b>(56,687)</b>	<b>(54,053)</b>	<b>(28,242)</b>
<b>INCOME(LOSS) BEFORE TAX</b>	<b>(92,411)</b>	<b>(55,401)</b>	<b>(56,385)</b>	<b>(6,471)</b>
<b>PROVISION FOR INCOME TAX (BENEFITS)</b>	<b>6,686</b>	<b>-</b>	<b>3,713</b>	<b>-</b>
<b>INCOME (LOSS) FOR THE PERIOD</b>	<b>(99,097)</b>	<b>(55,401)</b>	<b>(60,098)</b>	<b>(6,471)</b>
<b>INCOME FROM CONTINUING OPERATION</b>				
Equity holders of the parent	(77,848)	(47,775)	(49,810)	(927)
Non-controlling interest	(21,249)	(7,626)	(10,288)	(5,544)
	<b>(99,097)</b>	<b>(55,401)</b>	<b>(60,098)</b>	<b>(6,471)</b>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>(99,097)</b>	<b>(55,401)</b>	<b>(60,098)</b>	<b>12 (6,471)</b>

<b>PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES</b>		
<b>UNAUDITED STATEMENT OF CHANGES IN EQUITY</b>		
<b>(In 000)</b>		
	<b>For six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>CAPITAL STOCK</b>		
Issued and subscribed shares	483,390	472,715
<b>ADDITIONAL PAID-IN CAPITAL</b>	66,074	66,074
<b>UNREALIZED GAIN ON AFS FINANCIAL ASSETS</b>	-	
<b>PARENT COMPANY SHARES HELD BY SUBSIDIARY</b>	(120,226)	(133,664)
<b>RETAINED EARNINGS</b>		
Beginning	(140,690)	186,719
Net income(loss)	(77,848)	(47,775)
Balance at end of the period	(218,538)	138,944
<b>ATTRIBUTABLE TO NON-CONTROLLING INTEREST</b>		
Balance at beginning of the period	502,774	410,331
Net income(loss) attributable to non-controlling interest	(21,248)	(7,626)
Balance at end of the period	481,526	402,705
<b>TOTAL EQUITY</b>	<b>692,225</b>	<b>946,774</b>

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
(In Php000.00)

	For six months ended June 30	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	(99,097)	(55,401)
Adjustments for:		
Depreciation and Amortization	58,070	35,462
Interest Expenses	97,875	68,092
Interest Income	(23)	(29)
Operating income (loss) before working capital changes	56,826	48,124
Decrease (increase) in:		
Receivables	(16,948)	(47,971)
Contract Assets	(23,555)	-
Unused supplies	-	(1,882)
Real estate held for sale	22,557	55,474
Other current assets	(60,600)	(458,390)
Increase (decrease) in:		
Trade payables	154,257	388,992
Other noncurrent liabilities	-	
Net cash flows from (used in) operation	132,537	(15,653)
Interest received	23	29
Interest paid	(97,875)	(68,092)
Income tax paid	3,441	(344)
Net cash flows from (used in) operating activities	38,125	(84,060)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from sales of investment in associates		
Acquisition of property and equipment	(133,167)	(30,899)
Land and land development costs	-	(18,261)
Increase (decrease) in other noncurrent assets	(9,816)	105,934
Net cash (used in) provided by	(142,983)	56,774
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
Short-term loans	3,804	4,905
Loans payable	96,066	95,672
Payment of:		
Short-term loans		
Purchased land payable	-	(22,540)
Obligations under finance lease	(3,076)	3,263
Long-term loans	(1,500)	(10,000)
Cash proceeds from subscription receivable	10,675	
Cash flows from financing activities	105,970	71,300
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,111</b>	<b>44,014</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>68,980</b>	<b>70,160</b>
<b>TOTAL CASH AT THE BEGINNING</b>	<b>68,980</b>	<b>70,160</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>70,091</b>	<b>114,174</b>

**PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In Php 000)

**1. Corporate Information and Status of Operations**

Premiere Horizon Alliance Corporation (PHA or the Parent Company), was incorporated in the Philippines 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.

The Parent Company's registered address is Metro Manila, Philippines. Currently, the Parent Company acts as holding company to Premiere Horizon Alliance Corporation and Subsidiaries (the Group).

On December 29, 2011, the Securities and Exchange Commission (SEC) approved the amended articles of incorporation of the Parent Company which include the following:

- a. change of name of the corporation from Premiere Entertainment Philippines, Inc. to Premiere Horizon Alliance Corporation;
- b. reduction in deficit amounting P1,236.44 million by decreasing the authorized capital stock from P1,800.00 million to P563.56 million (see Note 16); and
- c. Amendment of secondary purpose clause to include the authority to engage in non-gaming business such as mining and real estate.

On April 26, 2012, the SEC approved the Parent Company's application on the treatment of quasi-reorganization in the consolidated financial statements.

On May 27, 2013 and September 30, 2014, the stockholders and Board of Directors (BOD), respectively, approved the amendments to the Articles of Incorporation (AOI) of the Parent Company to change the Parent Company's principal place of business to Unit E-1705, 17th Floor, East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City. On November 7, 2014, the SEC approved the amendment to the AOI

**2. Cash**

This account consists of:

	<b>Unaudited June 30, 2019</b>	Audited 2018
Cash on hand	<b>P1,168</b>	P2,582
Cash in banks	<b>68,923</b>	66,398
	<b>P70,091</b>	P68,981

Cash in banks earn interest at the prevailing bank deposit rates.



### 3. Receivables - net

This account consists of:

	<b>Unaudited June 30, 2019</b>	Audited 2018
Contract receivables	<b>P63,865</b>	P61,945
Trade receivables	<b>32,156</b>	18,781
Advances to officers and employees	<b>64,823</b>	63,169
Others	<b>206</b>	206
	<b>161,050</b>	144,101
Less allowance for impairment losses	<b>(57,761)</b>	(57,761)
	<b>P103,289</b>	P86,341

#### Aging of Receivables

	<b>Account Title</b>	<b>Total</b>	<b>1-30</b>	<b>31-60</b>	<b>61-90</b>	<b>Over 90</b>
1	Contract receivables	63,865	28,465	29,542	3,216	2,642
2	Trade	32,156	10,897	13,310	3,326	4,623
3	Advances to employees & officers	64,823	6,494	11,323	14,354	32,652
4	Others	206	42	32	52	80
	<b>Total</b>	<b>161,050</b>	<b>45,898</b>	<b>54,207</b>	<b>20,948</b>	<b>39,997</b>

### 4. Other Current Assets

This account consists of:

	<b>Unaudited June 30, 2019</b>	Audited 2018
Advances to suppliers and contractors	<b>P 78,632</b>	P44,680
Input Tax – Value Added Tax	<b>22,365</b>	13,232
Supplies inventory	<b>10,856</b>	6,632
Tax Credits	<b>33,181</b>	24,725
Prepayments	<b>5,561</b>	530
Others	<b>2,365</b>	2,561
	<b>P 152,960</b>	P92,360

### 5. Trade and Other Payables

This account consists of:

	<b>Unaudited June 30, 2019</b>	Audited 2018
Trade payables	<b>P170,374</b>	P139,539
Advances from third parties	<b>195,133</b>	171,235
Advances from shareholder	<b>160,230</b>	136,028
Accrued expenses	<b>29,562</b>	24,186
Deferred output VAT	<b>104,890</b>	103,420
Retention payable	<b>59,321</b>	54,430
Customers' deposits and advances	<b>39,652</b>	-
Others	<b>98,326</b>	74,196
	<b>P 857,488</b>	P703,034