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## **SUNCITY GROUP HOLDINGS LIMITED**

**太陽城集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1383)**

### **Overseas Regulatory Announcement: by an overseas listed subsidiary**

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Suntrust Home Developers, Inc., an overseas listed subsidiary of Suncity Group Holdings Limited listed on The Philippine Stock Exchange, Inc. (“PSE”), has published its annual report for the year ended 31 December 2019 (the “**Annual Report**”) and the quarterly report for the three months ended 31 March 2020 (the “**Quarterly Report**”) on the website of PSE on 30 June 2020. For details, please refer to the attached Annual Report and Quarterly Report.

By order of the Board  
**Suncity Group Holdings Limited**  
**Chau Cheok Wa**  
*Chairman*

Hong Kong, 30 June 2020

*As at the date of this announcement, the executive Directors are Mr. Chau Cheok Wa, Mr. Lo Kai Bong, Mr. Au Chung On John and Mr. Manuel Assis Da Silva; and the independent non-executive Directors are Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John.*

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A  
ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SECTION 141 OF THE CORPORATION CODE

1. For the fiscal year ended **31 December 2019**
2. SEC Identification Number: **10683**
3. BIR Tax Identification No.: **000-141-166-000**
4. **SUNTRUST HOME DEVELOPERS, INC.**  
Exact name of issuer as specified in its charter
5. **Metro Manila**  
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)  
Industry Classification Code
7. **26th Floor Alliance Global Tower  
36th Street cor. 11th Avenue, Uptown Bonifacio  
Taguig City, Philippines 1634**  
Address of principal office
8. **(632) 8894-6300**  
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
<b>Common</b>	<b>7,250,000,000</b>

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

Yes [] No [  ]

**Philippine Stock Exchange**    **Common Shares**

11. Check whether the issuer:
  - (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.  
Yes [] No [  ]
  - (b) has been subject to such filing requirements for the past ninety (90) days.  
Yes [] No [  ]
12. Aggregate Market Value of Voting Stock held by Non-Affiliates as of close of first quarter of 2020.

**Php1,236,179,131.67 based on the closing price of Php1.19 per share on March 31, 2020.**

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### (1) Business Development

##### History

On 18 January 1956, Suntrust Home Developers, Inc. (the "Company"), then known as Ramie Textiles, Inc., was incorporated to engage in the business of manufacture and sale of all types of ramie products. On 11 February 1959, the Company was listed in The Philippine Stock Exchange, Inc.

On 10 June 1994, the SEC approved the Amendment to the Articles of Incorporation (AOI) of the Company changing the name, from Ramie Textiles Inc. to Gaming Interest and Franchise Technologies, Inc., and its secondary purpose, and including a provision denying preemptive rights to existing stockholders for any future issue of shares. Upon its conversion to a holding company, the Company sought to identify investment opportunities which will yield attractive returns.

On 10 April 1995, the Company's name was changed from Gaming Interest and Franchise Technologies, Inc. to Greater Asia Resources Corporation. Subsequently, the Company acquired two (2) parcels of land situated in Tagaytay City with an approximate total area of 510,479 square meters in exchange for 250,000 shares out of its unissued capital stock.

On 11 August 1998, the SEC approved the Amended AOI of the Company changing the name from Greater Asia Resources Corporation to BW Resource Corporation (BWRC). The primary purpose of BWRC is to acquire interests in tourism or leisure-related enterprises, projects, or ventures.

On 17 August 1999, the SEC approved an increase in Authorized Capital Stock (ACS) of the Company from 450,000,000 shares to 2,000,000,000 shares with a par value of One Peso (1.00) per share. Out of the increase in ACS, One Billion Two Hundred Million Pesos (Php1,200,000,000) worth of shares were issued to Megaworld Corporation (Megaworld). With the entry of Megaworld on 3 October 2000, the SEC approved the change in name from BWRC to Fairmont Holdings, Inc.

On 6 May 2006, the SEC approved the change of the Company's name from Fairmont Holdings, Inc. to Suntrust Home Developers, Inc. The change in name came with a change in the Company's primary purpose or nature of business, from a holding company to a real estate company authorized to engage in real estate development, mass community housing, townhouses and rowhouses development, residential subdivision and other massive horizontal land development. For the purpose of enabling the Company to finance any acquisitions or projects that it may undertake in the future in line with its new corporate purpose, the Board of Directors approved a Php1,000,000,000 increase in the Company's authorized capital stock from Php2,000,000,000 to Php3,000,000,000. Out of the Php1 billion increase, Php250,000,000 has been actually subscribed while Php62,500,000 has been actually paid-up in cash by Megaworld.

In July 2002, the Company acquired from an affiliate, Empire East Land Holdings, Inc. (EELHI), all of the latter's shareholdings in Empire East Properties, Inc. ("EEPI"). As a result, it was presented in the third quarter of 2002. Prior to such acquisition, EEPI was a wholly-owned subsidiary of EELHI engaged in the development of socialized or low-cost housing projects. In March 2004, the Company's percentage of ownership in EEPI was reduced from 100% to 60% upon the subscription by EELHI to additional shares of stock of EEPI. On 8 July 2008, EEPI changed its name to Suntrust Properties, Inc. ("SPI") and increased its authorized capital stock, with EELHI subscribing to such increase. As a result, the Company's ownership interest in SPI decreased from 60% to 20% and the

Company's control over SPI ceased and, as such, SPI became an associate of the Company. In June 2013, the Company has sold all its remaining shares in SPI.

On 30 August 2005, the Board of Directors of the Company approved the decrease in the number of members of the Board of Directors from eleven to seven directors and the extension of its corporate term for another fifty (50) years from 18 January 2006. These changes to the Articles of Incorporation were ratified by the stockholders of the Company on 11 November 2005 and were approved by the SEC on 10 May 2006.

On 25 October 2019, the Board of Directors of the Company approved to allow the Company to focus on tourism-related businesses. These amendments were approved by the SEC on 17 June 2020.

In October 2019, to allow the Company to venture in tourism-related businesses and facilitate investments therefor, the Board of Directors of the Company approved the amendments to the Company's primary and secondary purposes in its AOI, the conduct of fund-raising activities for tourism-related businesses that the Corporation would venture into (such as issuance of shares to third parties at par value or issuance of convertible bonds), and the entering of a Co-Development Agreement with Westside City Resorts World, Inc. (Westside). Furthermore, the Board of Directors and the stockholders of the Company ratified the approval by the Board of Directors on 23 September 2014 and the stockholders on 18 November 2014, to increase the Corporation's Authorized Capital Stock.

On 28 October 2019, Fortune Noble Limited (Fortune Noble), a wholly-owned subsidiary of Suncity Group Holdings Limited (Suncity Group), a listed company on The Stock Exchange of Hong Kong Limited, acquired fifty-one percent (51%) of the outstanding capital stock of the Company. Suncity Group is principally engaged in: (i) property development in Guangdong and Anhui Provinces in the People's Republic of China; (ii) property leasing in Shenzhen in the People's Republic of China; (iii) provision of hotel and integrated resort general consultancy service in Vietnam; and (iv) provision of travel related products and services. The Suncity Group has been expanding its tourism-related business in the South East Asia region.

On 10 December 2019, the SEC approved the increase in the Authorized Capital Stock of First Oceanic Property Management, Inc. (FOPM), the Company's subsidiary since September 2011. Considering the shift in the Company's business focus, a new investor, which is a related party to a substantial stockholder of the Company infused capital in the form of cash to FOPM and the Company's interest in FOPM became 24.27%, while retaining the same number of FOPM shares it held before and after the said increase in FOPM's Authorized Capital Stock.

Incorporated and registered with SEC on 31 January 1990, FOPM is engaged primarily in the management of real estate properties consisting of residential and office condominiums and private estates. FOPM also holds 100% of the outstanding shares of stock of CityLink Coach Services, Inc. (CityLink), which was incorporated and registered with SEC on 7 November 2006. CityLink is a domestic company primarily engaged in providing transportation services. (FOPM and CityLink, hereinafter FOPM Group)

On 20 December 2019, the SEC approved the increase in the Company's ACS from Three Billion Pesos (Php3,000,000,000.00) to Twenty-three Billion Pesos (PhP23,000,000.00). The SEC also approved the Company's application for registration under the Foreign Investments Act of 1991.

On 17 June 2020, the SEC then approved the amendments to the Company's primary and secondary purposes, from that of a real estate company to a tourism-oriented company authorized to engage in tourism-related businesses, including but not limited to acquiring, developing, improving and operating tourism-oriented facilities such as hotels, resorts, private clubs, leisure parks, entertainment centers, restaurants, food and beverage outlets, and other recreational facilities; to operate, manage, and/or maintain such other allied businesses, services, and facilities, incidental or necessary or connected therewith.

The Company entered into agreements to pursue the intended transactions under the Co-Development Agreement with Westside.

## **(2) Business of Issuer**

From a holding company with investments in stocks, the Company has shifted its business focus to tourism development to take advantage of investment opportunities that will yield attractive returns.

On 28 October 2019, it entered into a Co-Development Agreement with Westside. Under the Co-Development Agreement, the Company shall finance the development and construction costs for, and would be appointed as the exclusive operator and manager of the operations of, a 5-star hotel and casino establishment (Main Hotel Casino) over certain parcels of land located at Manila Bayshore Integrated City, Parañaque City (Project Site). The Main Hotel Casino would be designed to have approximately at least four (400) hundred rooms, nine hundred sixty (960) car parking slots, and a casino establishment that would cater to both mass and VIP markets. The Main Hotel Casino is expected to be operational prior to 2023.

Under the Co-Development Agreement, the Company would enter into a Lease Agreement over the Project Site with Westside and Travellers International Hotel Group, Inc. (Travellers), and an Operation and Management Agreement (O&M Agreement) with Westside for the operation and management of the Main Hotel Casino.

The Lease Agreement was entered into on 21 February 2020 and has an original term of until 19 August 2039, renewable automatically, subject to applicable laws, for another twenty-five (25) years. The O&M Agreement was executed on 4 May 2020 and has a term of until 11 July 2033, and shall be automatically extended or renewed, unless terminated earlier in accordance with the provisions of the O&M Agreement.

### **Competition**

The Main Hotel Casino is currently in the construction and planning phase and is expected to be operational prior to 2023. It may be expected that the Main Hotel Casino may face significant competition in the Philippines and elsewhere in Asia.

There are three (3) hotel and casino facilities currently operating within the Entertainment City, where the Project Site is located. These facilities are already open to the public and are operated by PAGCOR licensees. PAGCOR also operates other gaming facilities (and satellite gaming facilities which are smaller casinos and slots clubs) across the Philippines.

### **Dependence on a Single or Few Customers**

The Company's businesses are not dependent upon a single or a few customers or tenants, the loss of which would not have a material adverse effect on the Company.

### **Transactions with and/or Dependence on Related Parties**

The Company's policy with respect to related party transactions is to ensure that these transactions are entered into under terms comparable to those available from third parties, on an arm's length basis, and will not be prejudicial to the Company's shareholders and its other stakeholders.

In normal course of business, the Company entered into transactions with related parties, including advances from related parties for working capital purposes and for the settlement of certain liabilities. Major related party transactions have been disclosed and discussed Note 15 to the Audited Financial Statements and other portions thereof, as well as elsewhere in this report.

Westside, with whom the Company executed the Co-Development Agreement, the Lease Agreement, and O&M Agreement, is a subsidiary of Travellers which is a related party to Megaworld, a principal shareholder of the Company.

### **Intellectual Property**

The Company does not hold any patent, trademark, copyright, license, franchise, concession or royalty agreement upon which their operations are dependent.

### **Effect of Government Regulations on the Business**

A casino is also expected to be operated in the Main Hotel Casino.

The operation of casinos in the Philippines is a regulated activity under the auspice of PAGCOR. PAGCOR is a government owned and controlled corporation responsible for the licensing and monitoring of casinos in the Philippines and enforcement of relevant laws affecting gaming operations. Every casino licensee has to be licensed by PAGCOR and obtain a valid license from PAGCOR for the operation of their gaming activities.

PAGCOR has granted a Provisional License to Travellers and Westside, authorizing them to operate casinos and to enter into any agreement for the operation and/or management of the casino without need of prior written approval of PAGCOR provided that (i) such agreement will not result in the assignment, transfer, sale, lease or sub-leasing of the Provisional License; and (ii) the appointed casino manager or operator, if a juridical entity, should be registered with the SEC and not included in PAGCOR's list of banned personalities.

Under Republic Act No. 10927, casinos have been included as among the covered persons under Republic Act No. 9160 (Anti Money Laundering Act), as amended. The Casino Implementing Rules and Regulations was also issued by the Anti-Money Laundering Council ("AMLC") and Appropriate Government Agencies ("AGA") in October 2017. Under the Casino Implementing Rules and Regulations, casinos should report to the AMLC all suspicious transactions as defined by law and single casino cash transaction involving an amount in excess of Five Million Pesos (Php5,000,000.00) or its equivalent in any other currencies within five (5) working days, unless the AMLC prescribes a different period not exceeding fifteen (15) working days, from the occurrence thereof. Casinos had also been required to submit covered and suspicious transactions to the AMLC following the effectivity of AMLC's Registration and Reporting Guidelines for Casinos in August 2018. Casinos were likewise required to conduct customer due diligence (CDD) in accordance with PAGCOR's CDD Guidelines for Land-Based Casinos since November 2018.

### **Research and Development**

The Company has not devoted a significant percentage of revenues for research and development activities in the past three years have not amounted to. There are no new products or design being developed that will require a material amount of the Company's resources.

### **Compliance with Environmental Laws**

The Company has incurred minimal costs to comply with environmental laws.

### **Number of employees**

The Company and the FOPM Group have 653 employees in 2019 and 596 employees in 2018. None of the Company's employees are represented by a labor union or are subject to collective bargaining agreements. Nor is the Company and its employees involved in any labor dispute.

Considering the Company's focus in tourism development, it is expected to hire additional employees to support the development, construction, and operations of its tourism-related businesses.

## Major Business Risks

The Company is exposed to a variety of financial risks in relation to financial instruments that it holds under its investment portfolio. The Company's risk management is coordinated with its Board of Directors and it focuses on actively securing short-to-medium term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The Company's financial investments are largely in the form of short-term time deposits.

Potential risks in relation to development of the Main Hotel Casino include:

### *No direct operating history*

The Main Hotel Casino is currently in the construction and planning phase, and is expected to commence operations prior to 2023. The Company may face adverse changes in the business environment, economy and/or the applicable laws and regulations. If these risks are not managed successfully, it could have a material and adverse effect on the results of operations, financial performance and business of the Main Hotel Casino.

### *Supply of raw materials / delay in construction*

As the Main Hotel Casino is currently in construction and planning phase, the sources of construction materials such as lumber, steel and cement, may experience shortages or increases in prices. Construction, equipment, staffing and difficulties in obtaining requisite licenses, permits, and authorization from the Government could increase the total cost, delay project completion, or affect the design and features of the Main Hotel Casino.

### *The Main Hotel Casino may face intense competition in the Philippines and elsewhere in Asia*

The Company expects competition in the Philippines to be intense as multiple integrated resort – casino projects have been approved and/or currently operating in the Philippines. The Entertainment City, where the Project Site is located, is continuously being developed into a casino hub in Manila. Furthermore, hotel, casino, and entertainment complex projects may also be approved elsewhere in the Philippines and in Asia. Competitive pressures in the Philippine gaming industry could affect the Main Hotel Casino's business, financial condition and results of operations.

### *Sensitivity to economic downturn, economic uncertainty and other factors affecting discretionary consumer spending*

Demand for luxury services, gaming-related services and leisure activities are sensitive to global economic downturn. Changes in discretionary consumer spending or consumer preferences could be driven by economic conditions. Any reduction in consumer demand for the gaming-related services could affect the Main Hotel Casino's business.

### *The ability to attract and retain a sufficient number of qualified employees to run the operation*

The Main Hotel Casino will depend on its ability to attract and retain a sufficient number of qualified employees to run the operations and the facilities in the Main Hotel Casino. The ability to maintain its competitiveness is, to a large extent, dependent on the efforts, skills and continued service of key management and operating personnel. The loss of key management and operating personnel may have an adverse impact on the Main Hotel Casino's business.

### *Risks associated with gaming activities*

The gaming industry is characterized by the elements of chance. In addition to the element of chance, theoretical expected win rates are also affected by other factors, including players' skills and experience, the financial resources of players, the volume of bets placed by the players of the Main Hotel Casino and the amount of time the players spent on gaming. These factors, alone or in combination, have the potential to negatively impact win rates. As a result, actual win rates may differ greatly over short time periods, including from quarter to quarter and could cause the results of operations of the casino to be volatile. Players may also may commit fraud or attempt to cheat in

order to increase winnings by using counterfeit currency, chips or other tactics. Failure to discover such acts in a timely manner could result in losses in the operation of the casino.

The gaming industry may also face potential money laundering and other illegal activities. If strict controls will not be implemented, incident of money laundering and other illegal activities may occur.

*Epidemics and other communicable diseases may affect our business operation*

Outbreak of epidemics and other communicable diseases, such as swine flu, avian flu, SARS and Novel Corona Virus Disease-2019 (COVID-19) are beyond the Company's control. PAGCOR has ordered a suspension of all gaming operations since mid-March 2020 until further notice. These events may adversely affect the current construction and planning phase of the Project, as well as the business operating environment in the Philippines' economy.

## **Item 2. Properties**

As of 31 December 2019, the Company has no properties than funds generated to support tourism venture and its investment in the FOPM Group.

The Company entered into a Lease Agreement with Westside and Travellers over the Project Site, consisting of portions of certain parcels of land located at Manila Bayshore Integrated City, Parañaque City. The Main Hotel Casino would be constructed and developed on the Project Site.

The Lease Agreement provides for an original term of until 19 August 2039, renewable automatically, subject to applicable laws, for another twenty-five (25) years. Further renewal or extension may be agreed upon by the Parties. Annual rental will be in the amount of US\$10,600,000, exclusive of the applicable value-added tax, payable in two instalments or on a semi-annual basis (or every six (6) months basis). In the event of non-payment of the Annual Rental on the due date, the Lessee will be liable to pay an interest penalty equivalent to one percent (1%) per month plus surcharge equivalent to one percent (1%) per month of the unpaid amount. The Lessee may assign or transfer its rights under the Lease Agreement and sub-lease all or any part of the Project Site, with the prior approval of the Lessor (except that notice to the Lessor shall be sufficient if the assignee, transferee, or sub-lessee is a subsidiary of the Lessee), and will have the right of first refusal, subject to relevant laws, in the event Lessor acquires the Project Site and decides to sell it.

## **Item 3. Legal Proceedings**

The Company is not a party to, and none of its properties is the subject of, any material pending litigation or legal proceeding.

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

On 29 October 2019, the Minutes of the Annual Stockholders' Meeting held last 30 October 2018 and the appointment of Punongbayan and Araullo as the external auditors of the Corporation's financial statements for the year ending 31 December 2019 were approved by the Company's stockholders. All acts and resolutions of the Board of Directors, Board Committees and Management of the Corporation, during the period up to the date of the meeting of the stockholders were also ratified. Finally, Ferdinand B. Masi, Neoli Mae L. Kho, Joey I. Villafuerte, Josephine Marie R. Salazar and Antonio C. Pacis were elected to the Board of Directors of the Company; while Eugenio B. Reducindo and Alejo L. Villanueva, Jr. were elected as the Independent Directors.



## PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

#### Market Information

The Company’s shares of common stock are traded on the Philippine Stock Exchange. Below is a history of the trading prices of said shares for the last two fiscal years:

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2018	High	0.92	0.88	0.85	0.79
	Low	0.80	0.75	0.73	0.68
2019	High	0.95	0.79	1.06	1.96
	Low	0.69	0.71	0.73	0.87
2020	High	2.47	Closing price as of 30 April 2020 is 1.98		
	Low	0.89			

#### Holders

As of 31 March 2020, there are 1,590 holders of the Company’s 7,250,000,000 outstanding shares of common stock. However, 5,250,000,000 of these outstanding shares are not yet listed with the Philippine Stock Exchange as the subscription price for these have not been fully paid. Below is a list of the top twenty (20) holders of the Company’s shares of common stock as of 31 March 2020.

	Name of Shareholder	Number of Shares Held	Percent of Total Outstanding Shares
1.	FORTUNE NOBLE LIMITED	2,850,000,000 <sup>1</sup>	39.310%
2.	MEGAWORLD CORPORATION	2,465,000,008	34.000%
3.	PCD NOMINEE CORPORATION (NON-FILIPINO)	861,067,501	11.877%
4.	PCD NOMINEE CORPORATION (FILIPINO)	785,961,626	10.841%
5.	AURORA SECURITIES, INC.	272,834,992	3.763%
6.	EBC PCI TA NO. 203-53106-5	17,000,00	0.234%
7.	LUCIO L. CO	4,082,563	0.056%
8.	GENEVIEVE GO	1,300,000	0.018%
9.	STANLEY HO HUNG SUN	1,100,000	0.015%
10.	ROMULO P. NEY	555,000	0.020%
11.	LARCY MARICHI Y. SO &/OR HANSON G. SO 601125	513,700	0.007%
12.	YAP SIK KIEONG	500,000	0.007%
13.	LUCIANO H. TAN	450,000	0.006%
14.	PABLO M. SILVA	437,499	0.006%
15.	HANSON G. SO	400,000	0.006%
16.	JAIME DY &/OR JULIET DY	399,000	0.006%
17.	FRANCIS L. DY &/OR INGRED S.	385,500	0.005%
18.	PETER TY	357,000	0.005%

<sup>1</sup> Includes 300,000,000 shares subject of Deeds of Assignments separately executed, on 26 October 2019, by Townsquare Development, Inc. and First Centro, Inc. in favor of Fortune Noble.

19.	AGRICULTURAL RESEARCH FARMS INC	320,415	0.004%
20.	WILLIAM SO	305,000	0.004%

*Dividends*

Under Philippine law, a corporation may generally declare dividends if it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. If declared by the corporation's board of directors, a corporation may pay dividends in cash, by the distribution of property, by the issuance of shares or by a combination of the three, as the board of directors shall determine and subject to the approval of the SEC, as may be required by law. A cash dividend declaration does not require any further approval from shareholders. Stock dividends can be issued with the approval of shareholders representing at least two-thirds of the issued and outstanding stock voting at a shareholders' meeting duly called for the purpose. The board of directors may not declare dividends which will impair its capital.

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

The deficit of the Company and its cash position did not merit any declaration of dividends for the last two fiscal years.

*Recent Sale of Unregistered or Exempt Securities*

On 20 December 2019, the SEC approved the increase in the Company's ACS from Three Billion Pesos (Php3,000,000,000.00) to Twenty-three Billion Pesos (Php23,000,000.00), pursuant to which shares were issued out of the net increase in the ACS to Fortune Noble Limited, Megaworld Corporation, and Aurora Securities Inc.

Apart from the foregoing, the Company has not undertaken any sale of unregistered or exempt securities, or issued securities constituting an exempt transaction.

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

**2019 vs. 2018**

In December 2019, a new investor which is a related party to a substantial stockholder of the Company infused capital to FOPM which diluted the ownership of the Company to 24.27%. The Company lost its control over FOPM, which remained as the Company's affiliate. Consequently, the Company recognized the investment in FOPM as an investment in associate which resulted in deconsolidation of FOPM from its financial statements in 2019.

Below are the major changes on the company's results of operation and financial condition due to the above transaction.

**RESULTS OF OPERATIONS**

Twelve months ended December 31, 2019 compared to  
Twelve months ended December 31, 2018

The total revenues of Company and the FOPM Group (Group) exhibited a decrease of Php72.17 million or 11.02% from Php655.12 million in 2018 to Php582.96 million in 2019.

Costs and expenses exhibited an increase of Php346.47 million or 62.85% from Php551.26 million in 2018 to Php897.74 million in 2019.

The Group's incurred a net loss in 2019 amounting to Php314.78 million from the previous year's net profit of Php103.86 million or Php418.64 million decrease.

## FINANCIAL CONDITION

### As of December 31, 2019, and December 31, 2018

Total current assets increased by Php665.67 million or 103.67% from Php642.09 million in 2018 to Php1,307.77 million in 2019.

Total non-current assets increased by Php22.25 million or 18.71% from Php118.90 million in 2018 to Php141.14 million in 2019.

Total current liabilities decreased by Php215.72 million or 78.95% from Php273.22 million in 2018 to Php57.50 million in 2019.

Total non-current liabilities decreased by Php22.35 million or 100.00% from Php22.35 million in 2018 to nil in 2019.

Equity increased by Php925.99 million from Php465.42 million in 2018 to Php1,391.41 million in 2019.

### **Material Changes in the Financial Statements Items:**

#### ***Increase/Decrease of 5% or more versus December 31, 2018***

The consolidated statement of financial position as of December 31, 2019 pertains solely to the balance of the Company. On the other hand, the consolidated statement of income for the year then ended include the results of operations of the Company for the year and the results of operations of FOPM and its subsidiary, Citylink, from January 1, 2019 until the date of loss of control. This results to major decreases in accounts in the financial statements of the Company except for below.

Cash and cash equivalents increased by 397.66% due to partial payment received from subscription of additional issuance of share.

Investment property decreased by 100.00% due to sale of investment property during the year.

## KEY PERFORMANCE INDICATORS

Presented below are the top five (5) key performance indicators of the Group:

	December 31, 2019	December 31, 2018
Current Ratio *1	22.74 : 1.00	2.35 : 1.00
Quick Ratio *2	22.71 : 1.00	2.01 : 1.00
Debt to Equity Ratio *3	0.04 : 1.00	0.64 : 1.00
Return on Assets *4	-28.49%	14.15%
Return on Equity *5	-33.91%	25.69%

\*1 – Current Assets / Current Liabilities

\*2 – Quick Assets (Current Assets less Other Current Assets)/ Current Liabilities

\*3 – Total Liabilities / Equity

\*4 – Net Profit (Loss) / Average Total Assets

\*5 – Net Profit (Loss) / Average Equity

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

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way.

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

The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. The Group has no material commitments for capital expenditures.

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

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There are no other material issuances, repurchases or repayments of debt and equity securities.

There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

There are no material events subsequent to the end of the period that have not been reflected in the financial statements for the year 2019.

There are no changes in estimates of amount reported in periods of the current financial year or changes in estimates of amounts reported in prior financial years.

## **2018 vs. 2017**

### **RESULTS OF OPERATIONS**

#### **Twelve months ended December 31, 2018 compared to Twelve months ended December 31, 2017**

The Group's total revenues exhibited an increase of Php119.81 million or 22.38% from Php535.31 million in 2017 to Php655.12 million in 2018 of the same period. Total revenues mostly came from management fees, retirement benefit gain, service income and rental income.

Costs and expenses exhibited an increase of Php77.68 million or 16.40% from Php473.58 million in 2017 to Php551.26 million in 2018. Increase in costs and expenses were mainly due to operating expenses, cost of services and tax expense.

The Group's net profit grew by 68.25% in 2018 amounting to Php103.86 million (including non-recurring gain of Php65.40 million) from the previous year's Php61.73 million.

### **FINANCIAL CONDITION**

#### **As of December 31, 2018 and December 31, 2017**

The Group's total resources amounted to Php760.99 million in 2018 from Php707.31 million in 2017. The Group manages its liquidity needs by carefully monitoring scheduled payments for financial liabilities as well as its cash outflows due in a day-to-day business.

Current assets increased by Php86.00 million or 15.47% from Php556.09 million in 2017 to Php642.09 million in 2018. Cash and cash equivalents decreased by Php99.88 million or 28.00% from Php356.72 million in 2017 to Php256.84 million in 2018. Due from related parties increased by Php104.69 million or 183.92% from Php56.92 million in 2017 to Php161.62 million in 2018.

Non-current assets decreased by Php32.33 million or 21.38% from Php151.22 million in 2017 to Php118.90 million in 2018. Investment property decreased by Php1.24 million from Php26.03 million in 2017 to Php24.79 million in 2018. Property and equipment decreased by Php11.00 million or 16.43% from Php66.96 million in 2017 to Php55.96 million in 2018.

Trade and other receivables increased by Php0.52 million or 0.39% from Php134.36 million in 2017 to Php134.88 million in 2018. Other assets increased by Php78.63 million or 293.65% from Php26.78 million in 2017 to Php105.41 million in 2018.

Current liabilities increased by Php7.22 million or 2.71% from Php266.00 million in 2017 to Php273.22 million in 2018. Trade and other payables exhibited a decrease of Php3.85 million or 2.61% from Php147.76 million in 2017 to Php143.90 million in 2018. Due to related parties increased by Php0.94 million or 0.86% from Php109.18 million in 2017 to Php110.13 million in 2018. Income tax payable increased by Php10.13 million or 111.77% from Php9.06 million in 2017 to Php19.19 million in 2018.

Retirement benefit obligation decreased by Php75.80 million or 77.23% from Php98.15 million in 2017 to Php22.35 million in 2018.

**Material Changes in the Financial Statements Items:  
Increase/Decrease of 5% or more versus December 31, 2017**

**Statements of Financial Position**

28.00% decrease in cash and cash equivalents

Due to reclassification of account to short-term investment presented under other current assets

183.92% increase in due from related parties

Due to additional advances to related parties

16.43% decrease in property and equipment

Due to depreciation during the year

45.66% decrease in deferred tax assets

Pertains to tax effects of taxable and deductible temporary differences

293.65% increase in other assets - net - current and non-current

This includes short term investments of a subsidiary

111.77% increase in income tax payable

Due to higher taxable income for the current year

77.23% decrease in retirement benefit obligation

Primarily due to changes in retirement benefits

**Increase/Decrease of 5% or more versus December 31, 2017**

**Statements of Income**

8.52% increase in management fees

Due to additional properties managed by a subsidiary as well as the increase in management fee rate

100.00% increase in retirement benefit gain

Effect of changes in retirement benefit

15.30% decrease in service income

Due to lower service income generated by a subsidiary

50.47% increase in rental Income

Due to higher rental income generated by a subsidiary

65.76% increase in finance and other income

Due to higher interest income generated by a subsidiary

13.61% increase in cost of services

Due to higher service cost for the year

14.95% increase in operating expenses

Due to higher administrative and overhead expenses for the year

20.70% decrease in finance costs

Due to lower interest expense on retirement benefits

58.74% increase in tax expense

Due to tax effects of deductible temporary differences of a subsidiary

## KEY PERFORMANCE INDICATORS

Presented below are the top five (5) key performance indicators of the Group:

	December 31, 2018	December 31, 2017
Current Ratio *1	2.35 : 1.00	2.09 : 1.00
Quick Ratio *2	1.22 : 1.00	1.34 : 1.00
Debt to Equity Ratio *3	0.64 : 1.00	1.06 : 1.00
Return on Assets *4	14.15%	8.87%
Return on Equity *5	25.69%	19.75%

\*1 – Current Assets / Current Liabilities

\*2 – Cash and Cash Equivalents and Short-term Investment/ Current Liabilities

\*3 – Total Liabilities / Equity

\*4 – Net Profit / Average Total Assets

\*5 – Net Profit / Average Equity

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

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way.

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

The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. The Group has no material commitments for capital expenditures.

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

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There are no other material issuances, repurchases or repayments of debt and equity securities.

There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

There are no material events subsequent to the end of the period that have not been reflected in the financial statements for the year 2018.

There are no changes in estimates of amount reported in periods of the current financial year or changes in estimates of amounts reported in prior financial years.

#### **Item 7. Financial Statements**

The Company's Audited Financial Statements for the years ended 31 December 2019 and 2018 are attached as exhibits to this report.

#### **Item 8. Information on Independent Accountant and other Related Matters**

The present auditor of the Company, Punongbayan & Araullo, was also the auditor of the Company for the years 2017 to 2019. There have been no disagreements with said auditor on any matter of accounting principles or practices, financial statement disclosures, auditing scope or procedure, which disagreements, if not resolved to their satisfaction, would have caused the auditor to make reference thereto in its respective reports on the Company's financial statements for aforementioned years.

The external auditor of the Company billed the amounts of Php1,365,000 in 2019 and Php805,000 in 2018 in fees for professional services rendered for the audit of the Company's annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2019 and 2018. Except as disclosed above, no other services were rendered or fees billed by the external auditor of the Company for 2019 and 2018. All the above services have been approved by the Audit Committee through its internal policies and procedures of approval.

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

### **PART III – CONTROL AND COMPENSATION INFORMATION**

#### **Item 9. Directors and Executive Officers<sup>2</sup>**

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<sup>2</sup> Age of Directors and Officers as of 31 March 2020.

The overall management and supervision of the Company is undertaken by the Board of Directors. Currently, the Board of Directors consists of seven members, of which two are independent directors. All of the directors were elected at the Company's annual stockholders meeting on 29 October 2019 and will hold office until their successors have been duly elected and qualified.

Following is the list of incumbent directors and executive officers of the Company. The members of the Company's Board of Directors shall hold office for one (1) year from election and until their successors are elected and qualified. Any director elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

**Ferdinand B. Masi.** Mr. Masi, 58 years old, Filipino, is currently the Chairman and the President of the Company. He was appointed as Chairman of the Board on 09 November 2007 and has served as its President since 09 February 2001. He has been connected with Consolidated Distillers of the Far East, Inc. since 1983 and is currently its General Manager. He is concurrently the Chairman and President of Good Earth Technologies International, Inc. and Corporate Secretary of First Centro, Inc. Mr. Masi is currently serving as Senior Vice President and General Manager of Progreen Agricorn, Inc. He is a Certified Public Accountant and member of the Philippine Institute of Certified Public Accountants. He also finished his MBA from Ateneo Graduate School of Business.

**Josephine Marie R. Salazar.** Ms. Salazar, 60 years old, Filipino, joined FOPM as its President in July 2014. She is concurrently the President of Elite Communities Property Services, Inc. and also serves as Board member of Megaworld-Daewoo Development Corporation, McKinley Town Center Estates Association Inc., and Newport City Estates Association Inc. Prior to joining FOPM, Ms. Salazar was a First Vice President of Megaworld and head of its Operations and Quality Control Management group from 1997 to 2014. Prior to Megaworld, she also held key management positions at Regatta Properties Inc., an ICCP Group (Investment & Capital Corporation of the Philippines) as its Project Development Manager, with Project Management Consultants, Inc. as Director, and with George Ramos & Associates as Designer/Architect. Ms. Salazar is a licensed Architect and affiliated with United Architects of the Philippines, the Professional Regulation Commission Board of Architecture, and the Philippine Association of Building Administrators Inc. She is a member of the Executive Development Academy, Philippines and has received certification with Six Sigma Belt Training. She is a graduate of the University of Santo Tomas with a degree in Bachelor of Sciences in Architecture and also received International Training through the Japanese Architectural & Building Technology Scholarship and The ILO Association of Japan in Chiba Prefecture, Japan, which included a Japanese Language Course in the Chiba Prefecture Central Skill Development Center.

**Neoli Mae L. Kho.** Ms. Kho, 35 years old, Filipino, is currently the Vice President and the Finance and Administration Head of FOPM, which handles the property management of various residential and BPO office developments of the Megaworld group, a position she has held since April 2018. Prior to joining FOPM, Ms. Kho was a Manager in the Management Analyst Group of Megaworld, where she was responsible for auditing and analyzing various transactions of Megaworld and its group of companies and projects ranging from construction, marketing, land acquisitions, and administration. She is concurrently a Director of One World Center Building Administration, Inc., Treasurer of Eastwood City Estates Association, Inc., and a trustee and officer of several condominium and building associations of Megaworld projects. She has a degree in Bachelor of Science Major in Industrial Economics, Minor in AB Humanities and a Master of Science in Industrial Economics from the University of Asia and the Pacific.

**Joey I Villafuerte.** Mr. Villafuerte, 45 years old, Filipino, is concurrently Megaworld's First Vice President for Controllership, a position which he has held since June 2019. He has been with Megaworld since 2005 and has served in various capacities, including the position of Vice President for Controllership. Prior to joining Megaworld, he was the Controller of Specified Contractors and Development Inc. Mr. Villafuerte is a Certified Public Accountant. He graduated from Catanduanes State University with the degree of Bachelor of Science in Accountancy in 1997. He also completed his Master's Degree in Business Administration at the University of the East in 2004.

**Antonio C. Pacis.** Mr. Pacis, 79 years old, Filipino, serves as a Managing Partner in the Pacis & Reyes Law Firm since 1976, where he is involved in counseling clients who are in banking, investments securities, trusts, manufacturing, real estate, construction, exports, insurance, mall



operation, telecoms and education. He is concurrently the Director of Banco de Oro Universal Bank and Alliance Select Foods International, Inc., and a Trustee of Central Colleges of the Philippines. He is previously the Corporate Secretary of Security Bank Corporation and a Lecturer on Corporate Law at Ateneo Law School. He obtained his Bachelor of Laws degree from Ateneo de Manila University, while his Master of Laws degree at Harvard Law School.

**Alejo L. Villanueva, Jr.** Mr. Villanueva, 78 years old, Filipino was elected as Independent Director on 29 October 2012. He currently serves as Independent Director of Alliance Global Group, Inc., Emperador Inc. and Empire East Land Holdings, Inc. and a Director of First Capital Condominium Corporation, a non-stock non-profit corporation. He is also Chairman of Ruru Courier Systems, Inc. and Vice Chairman of Public Relations Counselors Foundations of the Philippines, Inc. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project of USAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

**Eugenio B. Reducindo.** Mr. Reducindo, 50 years old, is currently the Managing Director of Choice Gourmet Banquet, Inc., which owns and operates McDonald's stores and used to operate other restaurants like Shanghai Bistro and SoHo Tea House. He has held the position of Managing Director since 2007. As Managing Director, Mr. Reducindo is responsible for the overall operations and management of 11 McDonald's outlets located within Metro Manila and other provinces such as Cebu and Iloilo. Prior to being Managing Director, Mr. Reducindo was a branch manager at Choice Gourmet handling the first McDonald's branch of the company located at Forbestown Center. Mr. Reducindo has considerable experience in the management and operations of quick service and fine dining restaurants, having been involved in the daily operations of a specific branch as well as the overall management and operations of several branches/outlets. He has worked for Golden Arches Development Corporation as branch manager and for McDonald's Egypt as Operations Consultant and for Makati Shangri-La as Assistant Manager for the coffee shop. Mr. Reducindo graduated in 1989 from the Far Eastern University with a degree in AB Communications.

**Rolando D. Siatela.** Mr. Siatela, 59 years old, Filipino, has served as Corporate Secretary and Corporate Information Officer of the Company since 23 May 2006. He concurrently serves in PSE-listed companies, Alliance Global Group, Inc., Megaworld, and Global-Estate Resorts, Inc. as Assistant Corporate Secretary. He is also the Assistant Vice President for Controllershship of Megaworld. Prior to joining Megaworld, he was employed as Administrative and Personnel Officer with Batarasa Consolidated, Inc. He is a member of the board of Asia Finest Cuisine, Inc. and the Corporate Secretary of ERA Real Estate Exchange, Inc., Oceanic Realty Group International, Inc. and Documentation Officer of Megaworld Foundation.

**Maria Cristina D. Gonzales.** Ms. Gonzales, 56 years old, Filipino, is the Compliance Officer of the Company. She is presently a First Vice President for Management Services of Megaworld, a position she has held since 2007. Previously, she was a Vice President for Audit of Megaworld from 1993 to 2007, Audit Manager for Shoemart, Inc. from 1988 to 1993 and Auditor with Sycip, Gorres & Velayo from 1984 to 1987. She is a Certified Public Accountant since 1984 and graduated with a Business Administration degree, Major in Accounting (graduated magna cum laude) from the University of the East.

**Maria Carla T. Uykim.** Ms Uykim, 43 years old, Filipino, is the Assistant Corporate Secretary and Assistant Corporate Information Officer. She is also the Corporate Secretary of Global-Estate Resorts, Inc., San Vicente Coast, Inc., Twin Lakes Hotel, Inc., Northwin Properties, Inc., Global One Integrated Business Services, Inc., and Maple Grove Land, Inc., and a Director and Corporate Secretary of Luxury Global Malls, Inc. She is currently the head of the Corporate Advisory and Special Projects of Megaworld and is a member of Megaworld's Management Executive Committee. Prior to joining Megaworld, Atty. Uykim was an associate at Andres Marcelo Padernal Guerrero and Paras law offices from August 2005 to April 2007, where she specialized in labor and corporate law, and at ACCRA Law from February 2003 to January 2004, where she practiced immigration law. She also served as Chief of Staff to Congresswoman Remedios L. Petilla from July 2004 until June 2005. Atty. Uykim obtained her Juris Doctor Degree from the Ateneo De Manila School of Law and is a graduate of a double degree program of De Lasalle University, with a Bachelor of Arts in Psychology and a Bachelor of Science in Marketing Management.

Directors are elected annually by the stockholders to serve until the election and qualification of their successors.

#### ***Significant Employees***

The Company does not have significant employees, i.e., persons who are not executive officers but expected to make significant contribution to the business.

#### ***Family Relationships***

No director or executive officer is related to each other up to the fourth civil degree whether by consanguinity or affinity.

#### ***Involvement in Legal Proceedings***

The Company has no knowledge of any of the following events that occurred during the past five (5) years up the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as director, or executive officer:

- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- 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 minor offenses;
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

### **Item 10. Executive Compensation**

The current principal executive officers of the Company are:

<i>Name</i>	<i>Position</i>
-------------	-----------------

Ferdinand B. Masi	Chairman & President (CEO)
Neoli Mae L. Kho	Treasurer
Rolando D. Siatela	Corporate Secretary and Corporate Information Officer
Maria Carla T. Uykim	Asst. Corporate Secretary and Asst. Corporate Information Officer
Maria Cristina D. Gonzales	Compliance Officer

The principal executive officers of the Company and members of the Company's Board of Directors did not receive any compensation from the Company for years 2019 and 2018 and neither will there be any compensation for the ensuing year. There are no arrangements in force pursuant to which the officers and directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as such officer or director.

There are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director, including any additional amounts payable for committee participation or special assignments, for the years 2019 and 2018 and for the ensuing year.

There are no other arrangements, including consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, for the years 2019 and 2018 and for the ensuing year, for any service provided as a director. No employment contracts, termination of employment, or change in control arrangements, were affected for the applicable fiscal year.

No warrants or stock options are held by the Company's CEO, its named executive officers or directors for years 2019 and 2018 nor are there plans for extending warrants or options for the ensuing year.

### Item 11. Security Ownership of Certain Record and Beneficial Owners and Management<sup>3</sup>

#### *Security Ownership of Owners Holding More than Five Percent (5%) of Voting Securities*

TITLE OF CLASS	NAME, ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NO. OF SHARES HELD	PERCENT
Common	FORTUNE NOBLE LIMITED Vista Corporate Services Centre, Wickhams Cay II, Road Town , Tortola, VG1110, British Virgin Islands	Suncity Group Holdings Limited, parent company of Fortune Noble Limited	Non-Filipino	2,850,000,000	39.31%
Common	MEGAWORLD CORPORATION 30/F Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City	Megaworld Corporation <sup>4</sup> (also the record owner)	Filipino	2,465,000,000	34.00%

<sup>3</sup> As of 31 March 2020.

<sup>4</sup> Mr. Andrew L. Tan has the power to direct the voting and disposition of the shares held by Megaworld Corporation in the Company.

Common	PCD NOMINEE CORPORATION G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	Fortune Noble Limited, a wholly-owned subsidiary of Suncity Group Holdings Limited	Non-Filipino	847,500,000	11.69%
Common	PCD NOMINEE CORPORATION G/F Makati Stock Exchange Building 6767 Ayala Avenue, Makati City	BDO Securities Corporation, <sup>5</sup> 27/F Tower 1 & Exchange Plaza, Ayala Ave., Makati City	Filipino	781,337,561	10.78%

*Security Ownership of Management*

Title of Class	Name of Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Ferdinand B. Masi	1 (direct)	Filipino	0.00%
Common	Eugenio B. Reducindo	1 (direct)	Filipino	0.00%
Common	Neoli Mae L. Kho	1 (direct)	Filipino	0.00%
Common	Alejo L. Villanueva, Jr.	1 (direct)	Filipino	0.00%
Common	Antonio C. Pacis	1 (direct)	Filipino	0.00%
Common	Joey I. Villafuerte	1 (direct)	Filipino	0.00%
Common	Josephine Marie R. Salazar	1 (direct)	Filipino	0.00%
Common	Rolando D. Siatela	0	Filipino	N/A
Common	Maria Carla T. Uykim	0	Filipino	N/A
Common	Maria Cristina D. Gonzales	0	Filipino	N/A
Common	All directors and executive officers	7 (direct)		0.00%

*Voting Trust Holders of 5% or More*

The Company has no knowledge of persons holding more than 5% of its voting securities under a voting trust or similar agreement.

*Change in Control*

The Company has no knowledge of any arrangements among stockholders that may result in a change in control of the Company.

**Item 12. Certain Relationships and Related Transactions**

Transactions with related parties are entered into on an arm's length basis and under terms that will not be prejudicial to the Company's shareholders and its other stakeholders.

Except for the material related party transactions described in the notes to the audited financial statements of the Company and elsewhere in this report, there has been no material transaction during the last two years to which the Company was or is a party, in which any director or executive officer, any nominee for election as director, stockholder of more than ten percent (10%) of the

<sup>5</sup> BDO Securities Corporation is a participant of the PCD Nominee Corporation. The beneficial owners of the shares held by BDO Securities, Inc. are not known to the Company.

Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of more than ten percent (10%) of the Company's voting shares had or is to have a direct or indirect material interest.

**PART IV - EXHIBITS AND SCHEDULES**

**Item 13. (a) Exhibits**

<b>Exhibit No.</b>	<b>Description of Exhibits</b>
1	Consolidated Audited Financial Statements for the Year Ended December 31, 2019 and Supplementary Schedules

The Company's Sustainability Report is attached pursuant to SEC Memorandum Circular No. 4, series of 2019.

**(b) Reports on SEC Form 17-C Filed During the Last Six Months of the Report Period**

<b>Date</b>	<b>Disclosures</b>
17 September 2019	Notice of Annual or Special Stockholders' Meeting
07 October 2019	Change in Corporate Contact Details and/or Website
24 October 2019	Reply to Inquiry of Unusual Price Movement
25 October 2019	Amendments to Articles of Incorporation
28 October 2019	Related Party Transactions Policy
28 October 2019	Material Information/Transactions: "Results of Special Meeting of the Board of Directors on 28 October 2019"
29 October 2019	Press Release: "Suntrust Forays Into Tourism Development"
29 October 2019	Request for Voluntary Trading Suspension
29 October 2019	Results of the Annual or Special Stockholders' Meeting
29 October 2019	Results of the Organizational Meeting of the Board of Directors
30 October 2019	Reply to Exchange's Query
30 October 2019	Clarification of News Article: "Hong Kong-listed Suncity invests in Andrew Tan-led Suntrust Home"
31 October 2019	Comprehensive Corporate Disclosure on Backdoor Listing
14 November 2019	Material Information/Transactions: "Information Statement for Stockholders' Written Assent"
17 December 2019	Material Information/Transactions: Written Assent approving the proposed amendments to the Corporation's Primary and Secondary Purposes"

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on this 30 day of June 2020.

**SUNTRUST HOME DEVELOPERS, INC.**  
Company

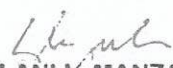
By:



**FERDINAND B. MASI**  
Chairman and President  
(Principal Executive and Operating Officer)



**NEOLI MAE L. KHO**  
Treasurer  
(Principal Financial Officer)



**LAILANI L. MANZANILLA**  
Principal Accounting Officer



**ROLANDO D. SIATELA**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 30 day of June 2020, affiants exhibiting to me their Tax Identification Numbers, as follows:

NAMES	TIN NO.
Ferdinand B. Masi	125-960-157
Neoli Mae L. Kho	214-488-163
Rolando D. Siatela	121-475-619
Lailani L. Manzanilla	231-909-648



**NUNILO O. MARAPAO, JR.**  
Notary Public - City of Makati  
Until December 31, 2020  
Appointment No. M-421  
Paras & Manlapaz Lawyers  
14/F BDO Equitable Tower

8751 Paseo de Roxas, Makati City  
Lifetime IBP No. 03261/Jan. 7, 2004/Makati City  
PTR No. 815031/Jan. 7, 2020/Makati City  
Roll No. 30912  
MCLE Compliance No. VI-0007428  
April 11, 2018/Pasig City/valid until April 14, 2022

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Page No. 55  
Book No. 2  
Series of 2020

# SUNTRUST HOME DEVELOPERS, INC.

26th Floor, Alliance Global Tower, 36th Street corner 11th Avenue,  
Uptown Bonifacio, Taguig City, 1634, Metro Manila, Philippines

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

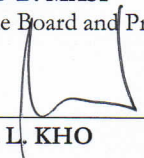
In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to 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.

**Punongbayan & Araullo**, 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.

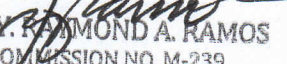
  
\_\_\_\_\_  
**FERDINAND B. MASI**  
Chairman of the Board and President

  
\_\_\_\_\_  
**NEOLI MAE L. KHO**  
Treasurer

May 15, 2020

SUBSCRIBED AND SWORN TO BEFORE  
ME THIS \_\_\_\_\_ DAY OF \_\_\_\_\_,  
20 \_\_\_\_\_ IN **16 JUN 2020** MAKATI,  
AFFIANT EXHIBITING TO ME HIS/HER  
VALID ID WITH NUMBERS \_\_\_\_\_  
ISSUED ON \_\_\_\_\_, ISSUED  
AT \_\_\_\_\_

DOC NO. 413 ;  
PAGE NO. 86 ;  
BOOK NO. 130 ;  
SERIES OF 2020

  
**ATTY. RAYMOND A. RAMOS**  
COMMISSION NO. M-239  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL DECEMBER 31, 2020  
NO. 15 J.P. RIZAL EXTN. COR. TANGUILE ST.  
COMEMBO, MAKATI CITY  
SC Roll No. 62179/04-26-2013  
IBP NO. 100581/01-02-2020/Pasig City  
PTR NO MKT 8116095/01-02-2020/Makati City  
MCLE Compliance No. VI-0007878/4-06-2013



## **Report of Independent Auditors**

**The Board of Directors and Stockholders**  
**Suntrust Home Developers, Inc. and Subsidiaries**  
**(A Subsidiary of Fortune Noble Limited)**  
26<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City

### ***Opinion***

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

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

### ***Basis for Opinion***

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



### ***Emphasis of a Matter***

We draw attention to Note 25 to the consolidated financial statements, which describes the likely negative impact of the business disruption as a result of the coronavirus outbreak to the Group's financial condition and performance after the end of the reporting period. Our opinion is not modified with respect to this matter.

### ***Key Audit Matter***

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

### ***Deconsolidation of a Subsidiary and Recognition of Investment in an Associate***

#### *Description of the Matter*

The Parent Company previously held 100% ownership interest in First Oceanic Property Management, Inc. (FOPMI), a domestic company engaged primarily in the management of real estate properties. In 2019, the Parent Company's ownership interest over FOPMI was diluted to 24% due to a capital infusion made by another investor. Accordingly, the Parent Company lost its control over FOPMI but still maintained significant influence. On the date of loss of control, FOPMI was deconsolidated and recognized as an investment in an associate at the fair value of the investment maintained at that date. This transaction is considered to be a matter of significance as it affected the entire financial statements due to the deconsolidation of the balances of FOPMI and its subsidiary and involves fair value measurement valuation of the retained investment, as described in Note 16 to the consolidated financial statements.

#### *How the Matter was Addressed in the Audit*

Our audit procedures to determine the appropriateness of the deconsolidation and the recognition of investment in an associate included, among others, the following:

- obtaining an understanding of the Group's policies and procedures over divestment, deconsolidation and recognition of investment in an associate;
- evaluating appropriateness and consistency of the Group's application of the deconsolidation in relation to the requirements of the accounting standards;
- inspecting documents and testing transactions that support the dilution of ownership and loss of control (e.g., cash capital infusion received by FOPMI and approval by the Securities and Exchange Commission of FOPMI's application for increase in authorized capital stock);
- understanding and testing the Group's procedures on the consolidation process, including the eliminating entries, for the period January 1, 2019 until the date of loss of control; and,
- testing the Group's computation of the fair value of the retained investment in FOPMI, as well as the assumptions used, and the resulting loss arising from the deconsolidation.

### ***Other Information***

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

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

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

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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

**PUNONGBAYAN & ARAULLO**



**By: Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8116553, January 2, 2020, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 15, 2020

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**  
*(Amounts in Philippine Pesos)*

	Notes	2019	2018
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	<b>P 1,278,214,939</b>	P 256,844,016
Trade and other receivables - net	6	<b>75,596</b>	129,514,141
Due from related parties - net	15	<b>27,382,014</b>	161,618,242
Other current assets	7	<b><u>2,092,871</u></b>	<u>94,116,851</u>
Total Current Assets		<b><u>1,307,765,420</u></b>	<u>642,093,250</u>
<b>NON-CURRENT ASSETS</b>			
Investment in an associate	1, 16	<b>141,144,732</b>	-
Trade and other receivables	6	-	5,364,700
Property and equipment - net	8	-	55,960,201
Investment property - net	9	-	24,788,038
Deferred tax assets	14	-	21,487,325
Other non-current assets - net	7	<b><u>-</u></b>	<u>11,296,236</u>
Total Non-current Assets		<b><u>141,144,732</u></b>	<u>118,896,500</u>
<b>TOTAL ASSETS</b>		<b><u>P 1,448,910,152</u></b>	<u>P 760,989,750</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	<b>P 57,502,895</b>	P 143,904,466
Due to related parties	15	-	110,126,763
Income tax payable		<b><u>-</u></b>	<u>19,189,105</u>
Total Current Liabilities		<b>57,502,895</b>	273,220,334
<b>NON-CURRENT LIABILITY</b>			
Retirement benefit obligation	13	<b><u>-</u></b>	<u>22,350,345</u>
Total Liabilities		<b>57,502,895</b>	295,570,679
<b>EQUITY</b>	18	<b><u>1,391,407,257</u></b>	<u>465,419,071</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>P 1,448,910,152</u></b>	<u>P 760,989,750</u>

*See Notes to Consolidated Financial Statements.*

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>REVENUES AND INCOME</b>				
Management fees	4, 12	<b>P 500,983,740</b>	P 517,201,700	P 476,594,830
Rental income	9	<b>32,715,976</b>	37,189,216	24,715,355
Service income	4, 12	<b>18,277,177</b>	21,967,597	25,935,765
Finance and other income	5, 6, 7, 9	<b>23,169,121</b>	13,370,341	8,066,262
Equity in net earnings of an associate	16	<b>7,810,256</b>	-	-
Retirement benefit gain	13	<u>-</u>	<u>65,395,697</u>	<u>-</u>
		<b><u>P 582,956,270</u></b>	<u>655,124,551</u>	<u>535,312,212</u>
<b>COSTS AND EXPENSES</b>				
Cost of services	12	<b>333,252,958</b>	333,963,677	293,962,230
Operating expenses	12	<b>273,128,138</b>	161,533,760	140,519,905
Loss on deconsolidation	1, 2	<b>264,692,670</b>	-	-
Finance costs	12	<b>4,382,206</b>	6,292,789	7,935,344
Tax expense	14	<b>22,280,033</b>	49,471,456	31,164,904
		<b><u>897,736,005</u></b>	<u>551,261,682</u>	<u>473,582,383</u>
<b>NET PROFIT (LOSS)</b>		<b><u>( P 314,779,735 )</u></b>	<u>P 103,862,869</u>	<u>P 61,729,829</u>
<b>Earnings Per (Loss) Share –</b>				
Basic and Diluted	17	<b><u>( P 0.131 )</u></b>	<u>P 0.046</u>	<u>P 0.027</u>

*See Notes to Consolidated Financial Statements.*

SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**  
*(Amounts in Philippine Pesos)*

	Notes	2019	2018	2017
<b>NET PROFIT (LOSS)</b>		<b>( P 314,779,735 )</b>	P 103,862,869	P 61,729,829
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Remeasurements of retirement benefit plan	13	( 13,845,875 )	34,432,185	( 577,339 )
Equity in other comprehensive income of an associate	16	460,033	-	-
Tax income (expense)	14	<u>4,153,763</u>	( <u>10,329,656</u> )	<u>173,202</u>
		<u>( 9,232,079 )</u>	<u>24,102,529</u>	<u>( 404,137 )</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>( P 324,011,814 )</b>	P 127,965,398	P 61,325,692

*See Notes to Consolidated Financial Statements.*

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**  
*(Amounts in Philippine Pesos)*

	<b>Capital Stock</b> <i>(see Note 18)</i>	<b>Deposit for Future Stock Subscription</b> <i>(see Note 1)</i>	<b>Revaluation Reserves</b> <i>(see Note 13)</i>	<b>Deficit</b>	<b>Total Equity</b>
Balance at January 1, 2019	P 2,062,500,000	P -	P 49,048,367	( P 1,646,129,296 )	P 465,419,071
Collection of subscriptions receivable	1,250,000,000	-	-	-	1,250,000,000
Contribution of new investor	-	150,000,000	-	-	150,000,000
Deconsolidation of subsidiary	-	( 150,000,000 )	( 39,356,255 )	39,356,255	( 150,000,000 )
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>( 9,232,079 )</u>	<u>( 314,779,735 )</u>	<u>( 324,011,814 )</u>
Balance at December 31, 2019	<b><u>P 3,312,500,000</u></b>	<b><u>P -</u></b>	<b><u>P 460,033</u></b>	<b><u>( P 1,921,552,776 )</u></b>	<b><u>P 1,391,407,257</u></b>
Balance at January 1, 2018					
As previously reported	P 2,062,500,000	P -	P 24,945,838	( P 1,744,284,309 )	P 343,161,529
Effect of adoption of PFRS 9 (see Note 18)	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 5,707,856 )</u>	<u>( 5,707,856 )</u>
As restated	2,062,500,000	-	24,945,838	( 1,749,992,165 )	337,453,673
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>24,102,529</u>	<u>103,862,869</u>	<u>127,965,398</u>
Balance at December 31, 2018	<b><u>P 2,062,500,000</u></b>	<b><u>P -</u></b>	<b><u>P 49,048,367</u></b>	<b><u>( P 1,646,129,296 )</u></b>	<b><u>P 465,419,071</u></b>
Balance at January 1, 2017	P 2,062,500,000	P -	P 25,349,975	( P 1,806,014,138 )	P 281,835,837
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>( 404,137 )</u>	<u>61,729,829</u>	<u>61,325,692</u>
Balance at December 31, 2017	<b><u>P 2,062,500,000</u></b>	<b><u>P -</u></b>	<b><u>P 24,945,838</u></b>	<b><u>( P 1,744,284,309 )</u></b>	<b><u>P 343,161,529</u></b>

*See Notes to Consolidated Financial Statements.*



**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**  
*(Amounts in Philippine Pesos)*

	Notes	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit (loss) before tax		( P 292,499,702 )	P 153,334,325	P 92,894,733
Adjustments for:				
Loss on deconsolidation	1, 2	264,692,670	-	-
Depreciation and amortization	12	27,345,468	20,810,575	15,600,321
Impairment loss on trade and other receivables	6, 12	21,074,810	8,943,514	23,714,666
Finance income	5, 6, 7	( 15,322,751 )	( 8,548,503 )	( 4,596,087 )
Equity in net earnings of an associate	16	( 7,810,256 )	-	-
Finance costs	12	4,382,206	6,292,789	7,935,344
Gain on sale of investment property	9	( 2,375,520 )	-	-
Retirement benefit gain	13	-	( 65,395,697 )	-
Operating profit (loss) before working capital changes		( 513,075 )	115,437,003	135,548,977
Increase in trade and other receivables		( 2,415,537 )	( 17,192,410 )	( 22,830,933 )
Decrease (increase) in due from related parties		( 47,655,033 )	( 104,694,702 )	4,006,977
Increase in other current assets		( 26,745,621 )	( 80,937,796 )	( 2,381,503 )
Increase in other non-current assets		( 1,959,595 )	( 516,214 )	( 6,017,956 )
Increase (decrease) in trade and other payables		162,379,180	( 3,852,280 )	( 22,897,180 )
Increase (decrease) in retirement benefit obligation		9,612,004	18,652,005	( 24,774,403 )
Cash generated from (used in) operations		92,702,323	( 73,104,394 )	60,653,979
Interest received		15,476,261	8,012,963	4,009,136
Cash paid for taxes		( 41,939,243 )	( 29,170,144 )	( 31,647,617 )
Net Cash From (Used in) Operating Activities		66,239,341	( 94,261,575 )	33,015,498
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of property and equipment	8	( 3,903,245 )	( 5,711,390 )	( 34,576,112 )
Proceeds from disposal of property and equipment	8	169,451	68,240	-
Net Cash Used in Investing Activities		( 3,733,794 )	( 5,643,150 )	( 34,576,112 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Cash received from subscription of capital stock	18	1,250,000,000	-	-
Cash received from new investor	1, 16	150,000,000	-	-
Repayment of lease liability	10	( 11,167,957 )	-	-
Advances obtained from (paid to) related parties	15	( 5,107,312 )	942,731	( 379,614 )
Interest paid		( 762,662 )	( 914,295 )	( 995,723 )
Net Cash From (Used in) Financing Activities		1,382,962,069	28,436	( 1,375,337 )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1,445,467,616	( 99,876,289 )	( 2,935,951 )
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		256,844,016	356,720,305	359,656,256
<b>EFFECT OF DECONSOLIDATION</b>	1, 2	( 424,096,693 )	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		P 1,278,214,939	P 256,844,016	P 356,720,305

**Supplemental Information on Non-cash Investing Activities:**

- 1) In 2019, Suntrust Home Developers, Inc. sold its investment property to a related party on account (see Notes 9 and 15).
- 2) In 2019, the Company lost control over its former subsidiaries. Accordingly, the cash balance of the subsidiaries were deconsolidated in the 2019 statement of cash flows (see Note 16).

*See Notes to Consolidated Financial Statements.*

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019, 2018 AND 2017**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION**

***1.1 Company Background***

Suntrust Home Developers, Inc. (Parent Company or Suntrust) was incorporated in the Philippines on January 18, 1956 (extended for another 50 years starting January 18, 2006) to primarily engage in real estate development. The Parent Company is a publicly listed entity in the Philippines. On October 25, 2019 and December 17, 2019, respectively, the Board of Directors (BOD) and stockholders approved the amendment of the Company's primary and secondary purposes, as presented in the Articles of Incorporation, to allow the Company to focus on tourism-related businesses. This change is yet to be approved by the Philippine Securities and Exchange Commission (SEC).

Megaworld Corporation (Megaworld), also a publicly listed company in the Philippines, used to be the Parent Company's major stockholder with 42% direct ownership interest in the Parent Company until the acquisition by Fortune Noble Limited (Fortune) in 2019 of an aggregate of 1,147,500,000 shares of the Parent Company representing 51% interest over the latter. Accordingly, Fortune became the parent company of Suntrust. Fortune is incorporated in the British Virgin Islands and is a subsidiary of Suncity Group Holdings Limited (the intermediate parent company), a publicly listed company in Hong Kong. Suncity and its subsidiaries are currently engaged in the development of residential and commercial properties as well as leasing of commercial properties, providing hotel and integrated resort management and consultancy service and travel agency. The ultimate parent company is Fame Select Limited (Fame), a private company incorporated in the British Virgin Islands and is primarily engaged in investment holding.

On September 23, 2014 and November 18, 2014, the Parent Company's BOD and stockholders, respectively, approved an increase in the authorized capital stock of the Parent Company from 3,000,000,000 common shares with par value of P1.00 per share to 23,000,000,000 common shares with par value of P1.00 per share. This was subsequently ratified by the Parent Company's BOD and stockholders on October 25, 2019 and October 29, 2019, respectively, and was approved by the SEC on December 20, 2019. Subsequent to the approval, the amount of P1.25 billion received in October 2019 was applied as partial payment for the subscription of 5,000,000,000 shares (see Note 18). On May 6, 2020, the Parent Company received US\$4.0 million (P202.2 million) from Fortune as partial payment for the latter's subscription over the capital stock of the Parent Company.

On January 8, 2018 and May 26, 2018, the SEC and Bureau of Internal Revenue, respectively, approved the change in the Parent Company's registered office address and principal place of business from 6<sup>th</sup> Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City to 26<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City.

The registered office and principal place of business of Fortune is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands. Suncity's registered office is located at Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY and its principal place of business is at Unit 1705, 17/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. Fame's registered office and principal place of business is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands.

The Parent Company's administrative functions are being handled by Megaworld at no cost to the Parent Company (see Note 15.5).

### ***1.2 Subsidiaries and Deconsolidation***

The Parent Company previously held 100.00% ownership interest in First Oceanic Property Management, Inc. (FOPMI), a domestic corporation engaged primarily in the management of real estate properties. On November 28, 2019, FOPMI received cash from another investor representing deposit for stock subscription. Subsequent to the SEC's approval of FOPMI's application for increase in authorized capital stock, the related shares were issued on December 10, 2019, which resulted into the dilution of the Parent Company's ownership interest over FOPMI to 24.27% and loss of control. Subsequently, the Parent Company no longer consider FOPMI as a subsidiary but treats the latter as an associate since the Parent Company retains significant influence.

The consolidated statement of financial position as of December 31, 2019 pertains solely to the balances of the Parent Company. On the other hand, the consolidated statement of income and consolidated statement of comprehensive income for the year then ended includes the results of operations of the Parent Company for the year and the results of operations of FOPMI and its subsidiary, Citylink Coach Services, Inc. (Citylink), from January 1, 2019 until the date of loss of control.

FOPMI holds 100.00% ownership interest over Citylink, a domestic company primarily engaged in providing transportation services.

FOPMI and Citylink were incorporated and have their principal place of business in the Philippines.

### ***1.3 Approval of the Consolidated Financial Statements***

The consolidated financial statements of Suntrust Home Developers, Inc. and Subsidiaries (the Group) as at and for the year ended December 31, 2019 (including the comparative consolidated financial statements as at December 31, 2018 and for the years ended December 31, 2018 and 2017) were authorized for issue by the Parent Company's BOD on May 15, 2020.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### **2.1 Basis of Preparation of Consolidated Financial Statements**

#### *(a) Statement of Compliance with Philippine Financial Reporting Standards*

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

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

#### *(b) Presentation of Consolidated Financial Statements*

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

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

#### *(c) Functional and Presentation Currency*

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

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

## 2.2 Adoption of New and Amended PFRS

### (a) Effective in 2019 that are Relevant to the Group

The Group adopted for the first time the following new PFRS, amendments, interpretations and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)	:	
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PFRS 3 and PFRS 11 (Amendments)	:	Business Combination and Joint Arrangements – Remeasurement of Previously Held Interests in Joint Operation

Discussed below and in the succeeding pages are the relevant information about these new standards, amendments, interpretation and annual improvements.

- (i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Group's consolidated financial statements.

- (ii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*. The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. The application of these amendments had no significant impact on the Group’s consolidated financial statements.
- (iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the “solely payments of principal and interests” (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income. The application of these amendments had no significant impact on the Group’s consolidated financial statements.
- (iv) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Group has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard has resulted in the recognition of right-of-use asset (ROUA) and lease liability as at January 1, 2019 with no effect on the beginning balance of the Deficit account. Accordingly, comparative information were not restated.

The new accounting policies of the Group as a lessee are disclosed in Note 2.15(a), while the accounting policies of the Group as a lessor, as described in Note 2.15(b), were not significantly affected.

Discussed below and in the succeeding page are the relevant information arising from the Group’s adoption of PFRS 16 and how the related accounts are measured and presented on the Group’s consolidated financial statements as at January 1, 2019.

- a. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.

- b. The Group recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate (IBR) as of January 1, 2019. The Group's weighted average IBR applied to lease liabilities on January 1, 2019 was 7.8%.
- c. The Group has elected not to include initial direct costs in the measurement of ROUA at the date of initial application. The Group also elected to measure the ROUA at an amount equal to the lease liabilities as at January 1, 2019.
- d. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognize ROUA but to account for the lease expense on a straight-line basis over the remaining lease term.
- e. The Group has also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:
  - i. application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
  - ii. reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on ROUA. As at January 1, 2019, the Group has no onerous contracts; and,
  - iii. use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table shows the effects of the adoption of PFRS 16 in the carrying amounts and presentation of certain accounts in the consolidated statement of financial position as at January 1, 2019 (see also Note 10).

	Carrying Amount, (PAS 17), December 31, 2018	Remeasurement	Carrying Amount (PFRS 16), January 1, 2019
<i>Assets:</i>			
ROUA – net	P -	P 39,878,873	P 39,878,873
<i>Liabilities:</i>			
Lease liabilities	-	<u>39,878,873</u>	39,878,873
Impact on Deficit		<u>P -</u>	

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17, at December 31, 2018 is shown below.

	Notes		
Operating lease commitments, December 31, 2018 (PAS 17)	19.2	P	45,412,494
Discount using incremental borrowing rate	2.2(a)(iv)(b)	(	<u>5,533,621)</u>
Lease liabilities, January 1, 2019 (PFRS 16)		<u>P</u>	<u>39,878,873</u>

In 2019, the Group subsequently derecognized its ROUA and lease liabilities due to the deconsolidation of the subsidiaries.

- (v) IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. This interpretation did not have a significant impact on the Group's consolidated financial statements.
- (vi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2019, are relevant to the Group but were identified by management not to have a significant impact on the Group's consolidated financial statements:
- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*, was considered to be relevant to the Group. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.
  - PFRS 3 and PFRS 11 (Amendments), *Business Combination and Joint Arrangements – Remeasurement of Previously Held Interests in Joint Operation*. The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

(b) *Effective in 2019 that are not Relevant to the Group*

Among the annual improvements to PFRS 2015-2017 Cycle which are mandatorily effective for the annual periods beginning on or after January 1, 2019, only PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*, was considered to be not relevant to the Group's consolidated financial statements.

(c) *Effective Subsequent to 2019 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2019 which are adopted by the FRSC. Management will adopt the relevant pronouncements in the succeeding page in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.



- (i) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of ‘material’ in PAS 1 by including the concept of ‘obscuring’ material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity’s own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term ‘material’ to ensure consistency.
- (ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. The Group has initially assessed that its accounting policies are still appropriate under the revised framework.

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

### **2.3 Basis of Consolidation**

The Parent Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries (see Note 1.2), after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Parent Company accounts for its investments in subsidiaries and associates as follows:

#### *(a) Investments in Subsidiaries*

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

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

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

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

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

When the Parent Company loses control over a subsidiary, the Parent Company, on the date of loss of control, derecognizes the assets and liabilities of the subsidiary at their carrying amounts as well as the carrying amount of any non-controlling interests in the former subsidiary. On that same date, the Parent Company shall recognize any retained investment in the former subsidiary at its fair value. Moreover, any amounts previously recognized under other comprehensive income in relation to the subsidiary will be reclassified to profit or loss or transferred directly to equity as required by the related standards. Any resulting difference from these transactions will be recognized as a gain or loss attributable to the parent company in profit or loss.

*(b) Investment in an Associate*

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. The Parent Company's investment in an associate is initially carried at fair value which is the fair value of the investment at the time the Parent Company lost its control over the former subsidiary and subsequently accounted for using the equity method.

All subsequent changes to the ownership interest in the equity of the associate is recognized in the Parent Company's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are credited or charged against the Equity in Net Earnings (Losses) of an Associate account in the consolidated statement of income.

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

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

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

**2.4 Financial Assets**

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

Regular purchases and sales of financial assets are recognized on their trade date.

*(a) Classification, Measurement, Impairment and Reclassification of Financial Assets*

The classification and measurement of financial assets is driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets at amortized cost, the only classification of financial assets applicable to the Group, is described below and in the succeeding page.

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (except car and housing loans receivable and advances to employees), Short-term investments under Other Current Assets, Security and other refundable deposits under Non-current Assets and Due from Related Parties. Cash and cash equivalents include demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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

The Group assesses its expected credit losses (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. In recognizing credit losses, the Group considers a broader range of information in assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Group recognizes ECL for its trade receivables. The ECL on these assets are estimated by applying the simplified approach using a provision matrix developed based on the Group's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

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

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

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

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

(b) *Derecognition of Financial Assets*

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

## **2.5 Other Assets**

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

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period are classified as non-current assets.

## **2.6 Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

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

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

Transportation equipment	5 to 15 years
Office and communication equipment	3 to 5 years
Furniture and fixtures	3 to 5 years

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

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

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

## **2.7 Investment Property**

Investment property pertains to condominium units held for rent and for capital appreciation. Condominium units are stated at cost, less accumulated depreciation and accumulated impairment losses, if any.

The cost of investment property comprises the acquisition cost or construction cost and other directly attributable costs for bringing the asset to working condition for its intended use. Expenditures for additions and major improvements are capitalized while expenditures for repairs and maintenance are charged to expense when incurred.

Depreciation of condominium units is computed on a straight-line basis over its estimated useful life of 30 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement disposal.

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

## **2.8 Intangible Assets**

Intangible assets, presented as part of Other Non-current Assets account in the consolidated statement of financial position, pertain to acquired computer software applications used in operation and administration which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition. Capitalized costs are amortized on a straight-line basis over an estimated useful life of five years as these intangible assets are considered to have finite life. In addition, intangible assets are subject to impairment testing as described in Note 2.16.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software for its intended use. Costs associated with maintaining computer software are expensed as incurred.

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

## **2.9 Financial Liabilities**

The financial liabilities of the Group include trade and other payables (excluding tax-related payables) and due to related parties. Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense under the caption Finance Costs account in the consolidated statement of income.

Trade and other payables and amounts due to related parties are recognized initially at their fair value and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments.

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

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

### ***2.10 Offsetting Financial Instruments***

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

### ***2.11 Business Combinations***

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

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

Negative goodwill, if any, which is the excess of the Group's interest in the net fair value of acquired identifiable assets, liabilities, and contingent liabilities over cost, is charged directly to income.

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

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



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

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

### ***2.12 Segment Reporting***

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

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

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

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

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

### ***2.13 Provisions and Contingencies***

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

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

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

#### ***2.14 Revenue and Expense Recognition***

Revenue comprises mainly from property management services, transport-related services and rental of properties.

To determine whether to recognize revenue, the Group follows a five-step process:

- (a) identifying the contract with a customer;
- (b) identifying the performance obligation;
- (c) determining the transaction price;
- (d) allocating the transaction price to the performance obligations; and,
- (e) recognizing revenue when/as performance obligations are satisfied.

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

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

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

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

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

The Group often enters into property management contract wherein the Group provides property management services to residential properties, malls and offices. The Group also enters into rental and other service contracts. There is no significant judgement involved in determining the transaction price since it usually pertains to only one performance obligation based on the nature of contracts with customers. The performance obligation is satisfied over time and the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

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

- (a) *Management fees* – Revenue is derived over time when the performance of property management services have been substantially rendered. The Group recognizes revenue equivalent to cost incurred plus a certain mark-up.
- (b) *Service income* – Revenue is recognized over time when transport-related services have been substantially rendered.
- (c) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset account.

In obtaining customer contracts, the Group may incur incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15, *Revenue from Contracts with Customers*, and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Cost and expenses are recognized in profit or loss upon utilization goods or services at the date they are incurred.

## **2.15 Leases**

The Group accounts for its leases as follows:

- (a) *Group as Lessee*
  - (i) *Accounting for Leases in Accordance with PFRS 16 (2019)*

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a ROUA and a lease liability in the consolidated statement of financial position. The ROUA is measured at cost, which is equal to of the initial measurement of the lease liability. Subsequently, the Group depreciates the ROUA on a straight-line basis to the earlier of the end of the useful life of the ROUA or the end of the lease term. The Group also assesses the ROUA for impairment when such indicators exist (see Note 2.16).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's IBR. Lease payments mainly include contractual fixed payments. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROUA, or profit and loss if the ROUA is already reduced to zero.

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

*(ii) Accounting for Leases in Accordance with PAS 17 (2018 and 2017)*

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

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

*(b) Group as Lessor*

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

## ***2.16 Impairment of Non-financial Assets***

The Group's property and equipment, investment property, intangible assets (presented under Other Non-current Assets account) and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

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

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

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

## ***2.17 Employee Benefits***

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

### *(a) Post-employment Defined Benefit Plan*

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

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

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance and Other Income accounts in the consolidated statement of income.

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

*(b) Post-employment Defined Contribution Plans*

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

*(c) Compensated Absences*

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

**2.18 Income Taxes**

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

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

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

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

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

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

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

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

### ***2.19 Related Party Transactions and Relationships***

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

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

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

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies*, transactions amounting to 10% or more of the total consolidated assets based on its latest consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Company's Board of Directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Company's consolidated total assets based on the latest financial statements, the same board approval would be required for the transactions that meet and exceeds the materiality threshold covering the same related party.

## ***2.20 Equity***

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

Revaluation reserves comprise accumulated actuarial gains and losses due to the remeasurements of post-employment defined benefit plan, net of tax and the Group's share in other comprehensive income of its associate.

Deficit includes all current and prior period results of operations as disclosed in the consolidated statement of income.

## ***2.21 Earnings Per Share***

Basic earnings per share is computed by dividing net profit by the weighted average number of common shares subscribed and issued during the year adjusted retroactively for any stock dividend, stock split or reverse stock split declared in the current year, if any.

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding; thus, diluted earnings per share is the same as the basic earnings per share.



## ***2.22 Events After the End of the Reporting Period***

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

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

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

#### ***3.1 Critical Management Judgments in Applying Accounting Policies***

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

*(a) Determination of Lease Term of Contracts with Renewal and Termination Options (2019)*

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

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

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

*(b) Determination of Timing of Satisfaction of Performance Obligations*

The Group generates its revenue by providing property management services to residential properties, malls and offices, and estates; and, provision of transport-related services. Revenues arising therefrom are recognized over time. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date, i.e., generally when the related party customers have acknowledged the Group's right to invoice.

(c) *Distinction Between Investment Properties and Owner-managed Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-managed properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

(d) *Distinction Between Operating and Finance Leases (2018)*

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

Management has determined that the Group's current lease agreements are operating leases.

(e) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and disclosures on relevant provisions and contingencies are presented in Note 19.

**3.2 Key Sources of Estimation Uncertainty**

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

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2019)*

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

(b) *Estimation of Allowance for ECL on Financial Assets at Amortized Cost*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparty defaulting and the resulting losses). The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the counterparties' actual default in the future. The Group's accounting policy with respect to ECL is described in Note 2.4(a). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 20.2.

(c) *Estimating Useful Lives of Condominium Units (Presented as Investment Property), Property and Equipment, and Computer Software*

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

The carrying amounts of computer software (under other non-current asset account), property and equipment, and investment property are analyzed in Notes 7, 8 and 9, respectively. Based on management's assessment as at December 31, 2019 and 2018, there are no changes in the estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Based on management's assessment, the Group has assessed that the unrecognized deferred tax assets arising from net operating loss carry over (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) as at December 31, 2019 and 2018 may not be utilized within the prescribed periods required by law. The carrying amount of deferred tax assets as of those dates is disclosed in Note 14.

(e) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.16). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on the Group's non-financial assets in 2019, 2018 and 2017.

(f) *Fair Value Measurement of Investment Property*

The Group's condominium units, classified as Investment Property, are carried at cost at the end of the reporting period. The fair value disclosed in Note 9 is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and, appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(g) *Valuation of Retirement Benefit Obligation*

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

The amounts of retirement benefit obligation and expense analysis of the movements in the estimated present value of post-employment benefit obligation are presented in Note 13.2.

## 4. SEGMENT REPORTING

### 4.1 *Business Segments*

The Group's operating businesses are organized and managed separately according to the services provided, with each segment representing a unit that offers different services and serves different markets. For management purposes, the Group is organized into two major business segments, namely property management, and rental and other activities. These are also the basis of the Group in reporting to its strategic steering committee for its strategic decision-making activities.

- (a) Property Management – is the operation, control of (usually on behalf of an owner), and oversight of commercial, industrial or residential real estate as used in its most broad terms. Management indicates a need to be cared for, monitored and accounted for given for its usable life and condition.
- (b) Rental and Others – consists of rental from leasing activity of the Parent Company and transportation services of Citylink.

The segment results also include the equity share in net earnings of an associate operating in the same industry.

#### 4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, receivables, net of allowances and due from related parties. Segment liabilities include all operating liabilities and consist principally of trade and other payables, due to related parties and retirement benefit obligation.

The business segment information of the Group as of and for the years ended December 31, 2019, 2018 and 2017 follows:

	<u>Property Management</u>	<u>Rental and Others</u>	<u>Total</u>
<b><u>2019</u></b>			
Revenues and income:			
Management fees	P 500,983,740	P -	P 500,983,740
Rental income	-	32,715,976	32,715,976
Service income	-	18,277,177	18,277,177
Equity in net earnings (losses) of an associate	8,235,440	( 425,184)	7,810,256
Finance and other income	<u>15,469,353</u>	<u>7,699,768</u>	<u>23,169,121</u>
Gross revenues	524,688,533	58,267,737	582,956,270
Expenses	( 450,329,404)	( 156,051,692)	( 606,381,096)
Loss on deconsolidation	( 264,692,670)	-	( 264,692,670)
Finance costs	( 3,619,544)	( 762,662)	( 4,382,206)
Profit before tax	( 193,953,085)	( 98,546,617)	( 292,499,702)
Tax expense	( 19,643,252)	( 2,636,781)	( 22,280,033)
Net loss	<b><u>(P 213,596,337)</u></b>	<b><u>(P 101,183,398)</u></b>	<b><u>(P 314,779,735)</u></b>
Segment assets	<b><u>P -</u></b>	<b><u>P 1,448,910,152</u></b>	<b><u>P 1,448,910,152</u></b>
Segment liabilities	<b><u>P -</u></b>	<b><u>P 57,502,895</u></b>	<b><u>P 57,502,895</u></b>

	<u>Property Management</u>	<u>Rental and Others</u>	<u>Total</u>
<u>2018</u>			
Revenues and income:			
Management fees	P 517,201,700	P -	P 517,201,700
Retirement benefit gain	65,395,697	-	65,395,697
Service income	-	21,967,597	21,967,597
Rental income	-	37,189,216	37,189,216
Finance and other income	<u>10,316,936</u>	<u>3,053,405</u>	<u>13,370,341</u>
Gross revenues	592,914,333	62,210,218	655,124,551
Expenses	( 434,831,688)	( 60,665,749)	( 495,497,437)
Finance costs	( 5,378,495)	( 914,294)	( 6,292,789)
Profit before tax	152,704,150	630,175	153,334,325
Tax expense	( 48,799,239)	( 672,217)	( 49,471,456)
Net profit (loss)	<u>P 103,904,911</u>	<u>(P 42,042)</u>	<u>P 103,862,869</u>
Segment assets	<u>P 599,143,380</u>	<u>P 161,846,370</u>	<u>P 760,989,750</u>
Segment liabilities	<u>P 230,768,241</u>	<u>P 64,802,438</u>	<u>P 295,570,679</u>
<u>2017</u>			
Revenues and income:			
Management fees	P 476,594,830	P -	P 476,594,830
Service income	-	25,935,765	25,935,765
Rental income	-	24,715,355	24,715,355
Finance and other income	<u>6,465,897</u>	<u>1,600,365</u>	<u>8,066,262</u>
Gross revenues	483,060,727	52,251,485	535,312,212
Expenses	( 380,301,842)	( 54,180,293)	( 434,482,135)
Finance costs	( 6,939,621)	( 995,723)	( 7,935,344)
Profit before tax	95,819,264	( 2,924,531)	92,894,733
Tax expense	( 29,839,188)	( 1,325,716)	( 31,164,904)
Net profit (loss)	<u>P 65,980,076</u>	<u>(P 4,250,247)</u>	<u>P 61,729,829</u>
Segment assets	<u>P 546,056,541</u>	<u>P 161,254,981</u>	<u>P 707,311,522</u>
Segment liabilities	<u>P 296,980,986</u>	<u>P 67,169,007</u>	<u>P 364,149,993</u>

## 5. CASH AND CASH EQUIVALENTS

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

	<u>2019</u>	<u>2018</u>
Cash on hand and in banks	<b>P 1,211,294,639</b>	P 88,775,226
Short-term placements	<u>66,920,300</u>	<u>168,068,790</u>
	<b><u>P1,278,214,939</u></b>	<b><u>P 256,844,016</u></b>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods from 30 to 90 days and earn effective interest ranging from 3.00% to 6.63% in 2019, 2.75% to 6.70% in 2018 and 1.63% to 2.30% in 2017. Interest earned is presented as part of Finance and Other Income account in the consolidated statements of income.

## 6. TRADE AND OTHER RECEIVABLES

The details of this account as of December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Current:		
Trade receivables	P -	P 148,556,849
Car and housing loans receivables	-	2,923,649
Advances to employees	-	399,684
Others	<u>75,596</u>	<u>4,082,433</u>
	<b>75,596</b>	155,962,615
Allowance for impairment	<u>-</u>	( <u>26,448,474</u> )
	<b>75,596</b>	129,514,141
Non-current –		
Car and housing loans receivables	<u>-</u>	<u>5,364,700</u>
	<b><u>75,596</u></b>	<b><u>P 134,878,841</u></b>

Trade receivables are usually due within 30 to 60 days and do not bear any interest. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers.

Car and housing loans receivables pertain to interest-bearing loans granted to employees with interest rate comparable to market rates and are payable through salary deduction for a period of 10 years from the date of grant. Related interest income from such transactions is shown as part of Finance and Other Income account in the consolidated statements of income.

Advances to employees pertain to unliquidated advances to employees for business-related expenditures subject to liquidation.

All of the Group's trade and other receivables are subject to credit risk. The Group has directly written-off certain trade receivables amounting to P14.4 million in 2017 as management deemed that these are no longer collectible. Certain trade receivables and other receivables were found to be impaired using the provisional matrix as determined by the management; hence, adequate amounts of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment at the beginning and end of 2019 and 2018 is shown below.

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year		P 26,448,474	P 17,504,960
Impairment losses during the year	12	21,074,810	8,943,514
Effect of deconsolidation		( <u>47,523,284</u> )	<u>-</u>
Balance at end of year		<b><u>P -</u></b>	<b><u>P 26,448,474</u></b>

## 7. OTHER ASSETS

The composition of this account is shown below.

	<u>2019</u>	<u>2018</u>
Current:		
Short-term investments	P -	P 77,652,631
Prepaid expenses	-	7,469,644
Input value-added tax (VAT) – net	<b>1,908,231</b>	4,669,245
Tax credits	<b>1,190</b>	2,869,763
Deferred input VAT	<b>183,450</b>	1,409,414
Others	-	46,154
	<u><b>2,092,871</b></u>	<u>94,116,851</u>
Non-current:		
Security and other refundable deposits – net	15.4 -	5,036,378
Advance rental	14.4 -	3,904,917
Computer software – net	-	2,349,941
Others	-	5,000
	<u>-</u>	<u>11,296,236</u>
	<u><b>P 2,092,871</b></u>	<u>P 105,413,087</u>

Short-term investments pertain to short-term placements with more than 90 days maturity and earns interest income ranging from 3.30% to 3.88% in 2019 and from 6.10% to 6.70% in 2018. Interest income recognized from short-term investments is presented as part of Finance and Other Income account in the consolidated statements of income.

Prepaid expenses primarily include, insurance premiums, advertising expenses and membership fees.

Security deposit represent deposits made in compliance with the lease agreements (see Note 15.4). Security deposit is discounted based on interest rate of similar assets. The related day-one loss as a result of discounting is presented as part of Others under Finance Costs account (see Note 12.2).

Advance rental pertains to payment made by the Group that is to be applied against rental billings for the last three months of the lease period (see Note 15.4).

Amortization of computer software amounting to P2.9 million in 2019, 2018 and 2017, is presented as part of Depreciation and amortization under the Operating Expenses account in the consolidated statements of income (see Note 12.1).

Intangible assets are subject to impairment testing whenever there is an indication of impairment. Based on management's evaluation, no impairment loss on intangible assets needs to be recognized in 2019, 2018 and 2017.



## 8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2019 and 2018 are shown below.

	<u>Transportation Equipment</u>	<u>Office and Communication Equipment</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improvements</u>	<u>Total</u>
December 31, 2019					
Cost	P -	P -	P -	P -	P -
Accumulated depreciation and amortization	-	-	-	-	-
Net carrying amount	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>
December 31, 2018					
Cost	P 82,908,311	P 34,279,661	P 7,013,733	P 18,943,869	P 143,145,574
Accumulated depreciation and amortization	( 47,475,681)	( 28,681,026)	( 5,144,882)	( 5,883,784)	( 87,185,373)
Net carrying amount	<u>P 35,432,630</u>	<u>P 5,598,635</u>	<u>P 1,868,851</u>	<u>P 13,060,085</u>	<u>P 55,960,201</u>
January 1, 2018					
Cost	P 84,132,216	P 31,651,702	P 6,920,454	P 18,539,739	P 141,244,111
Accumulated depreciation and amortization	( 45,077,971)	( 23,458,731)	( 3,752,325)	( 1,996,289)	( 74,285,316)
Net carrying amount	<u>P 39,054,245</u>	<u>P 8,192,971</u>	<u>P 3,168,129</u>	<u>P 16,543,450</u>	<u>P 66,958,795</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2019 and 2018 is shown below.

	<u>Transportation Equipment</u>	<u>Office and Communication Equipment</u>	<u>Furniture and Fixtures</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 35,432,630	P 5,598,635	P 1,868,851	P 13,060,085	P 55,960,201
Additions	1,561,071	2,314,728	27,446	-	3,903,245
Disposal	( 167,071)	( 2,380)	-	-	( 169,451)
Depreciation and amortization charges for the year	( 4,462,428)	( 4,040,423)	( 1,095,584)	( 3,392,279)	( 12,990,714)
Effect of deconsolidation	( 32,364,202)	( 3,870,560)	( 800,713)	( 9,667,806)	( 46,703,281)
Balance at December 31, 2019, net of accumulated depreciation and amortization	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 39,054,245	P 8,192,971	P 3,168,129	P 16,543,450	P 66,958,795
Additions	2,531,309	2,627,959	147,992	404,130	5,711,390
Disposal	( 14,240)	-	( 54,000)	-	( 68,240)
Depreciation and amortization charges for the year	( 6,138,684)	( 5,222,295)	( 1,393,270)	( 3,887,495)	( 16,641,744)
Balance at December 31, 2018, net of accumulated depreciation and amortization	<u>P 35,432,630</u>	<u>P 5,598,635</u>	<u>P 1,868,851</u>	<u>P 13,060,085</u>	<u>P 55,960,201</u>

The amount of depreciation and amortization is presented as part of Operating Expenses account in the consolidated statements of income (see Note 12.1).

The original costs of the Group's fully depreciated property and equipment that are still being used in operations amounted to P27.7 million in 2018.

## 9. INVESTMENT PROPERTY

A reconciliation of the carrying amounts of investment property at the beginning and end of 2019 and 2018 is shown below.

	<u>2019</u>	<u>2018</u>
Balance at January 1, net of accumulated depreciation	<b>P 24,788,038</b>	P 26,027,440
Depreciation charge for the year	<b>( 1,032,835)</b>	( 1,239,402)
Disposal	<b>( 23,755,203)</b>	-
Balance at December 31, net of accumulated depreciation	<b><u>P -</u></b>	<b><u>P 24,788,038</u></b>

In 2019, the Parent Company sold its condominium units with a carrying amount of P23.8 million for a total consideration amounting to P26.1 million. Gain on sale of investment property amounting to P2.4 million is presented as part of Finance and Other Income account under the Revenue and Income section of the 2019 statement of income. Meanwhile, the related receivables, including VAT and net of deferred rent and other incidental expenses, are presented as Due from Related Parties in the 2019 consolidated statement of financial position (see Note 15.2).

Rental income from condominium units under operating lease agreements not exceeding one year, amounted to P0.3 million, P1.0 million and P1.0 million in 2019, 2018 and 2017, respectively, and is presented as part of Rental Income account in the consolidated statements of income. There was no contingent rent recognized as of those dates.

There are no direct operating expenses incurred with respect to investment properties except for depreciation charges and real property tax presented as part of Cost of Services account in the consolidated statements of income (see Note 12.1).

The fair market value of these properties amounted to P27.5 million as of December 31, 2018. These are determined by calculating the present value of the cash inflows anticipated until the end of the life of the investment properties using a discount rate that reflects the risks and uncertainty in cash flows. Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 22.3.

## 10. LEASES

The Group has leases covering its office facilities. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the condensed consolidated statement of financial position as ROUA and lease liabilities.

### 10.1 ROUA

The carrying amount of the Group's ROUA as at December 31, 2019 and the movements during the year are shown below.

Balance at beginning of year	P 39,878,873
Depreciation and amortization	( 10,444,467)
Effect of deconsolidation	( <u>29,434,406</u> )
Balance at end of year	<u><b>P -</b></u>

### 10.2 Lease Liabilities

The carrying amounts of the Group's lease liabilities as at December 31, 2019 and the movements during the year are shown below.

Balance at beginning of year	P 39,878,873
Interest expense	2,237,191
Payment during the year	( 11,167,957)
Effect of deconsolidation	( <u>30,948,107</u> )
Balance at end of year	<u><b>P -</b></u>

### 10.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating short-term leases and low-value assets amounted to P6.0 million and is presented as Rentals as part of Cost of Services under Cost and Expenses in the 2019 statement of income (see Note 12.1).

### 10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P11.2 million in 2019. Interest expense in relation to lease liabilities amounted to P2.2 million and is presented as part of Finance costs under Cost and Expenses in the 2019 statement of income (see Note 12.2).

## 11. TRADE AND OTHER PAYABLES

The details of this account are as follows:

	<u>2019</u>	<u>2018</u>
Accrued expenses	<b>P 56,762,540</b>	P 68,552,710
Trade payables	-	41,247,601
Deferred output VAT payable	-	12,655,225
Output VAT payable	-	3,318,405
Withholding taxes payable	-	2,848,976
Government contributions	-	2,082,906
Others	<u>740,355</u>	<u>13,198,643</u>
	<b><u>P 57,502,895</u></b>	<b><u>P 143,904,466</u></b>

Accrued expenses mainly pertains to the documentary stamp tax to be paid by the Parent Company for the subscription of its capital stock amounting to P50.0 million in 2019 (nil in 2018). Included also in the account are the Company's accrual for employee benefits, utilities, professional fees, and others.

Other payables mainly include advances from customers and deferred rent.

## 12. REVENUES, COSTS AND EXPENSES

### *12.1 Operating Expenses by Nature*

The details of operating expenses by nature are shown below.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Salaries and employee benefits	13.1	<b>P 325,135,538</b>	P 308,938,384	P 271,823,482
Taxes and licenses		<b>96,560,171</b>	4,711,246	5,900,307
Service costs		<b>37,267,972</b>	38,595,632	31,211,488
Outside services		<b>37,082,714</b>	34,479,832	27,896,447
Depreciation and amortization	7, 8, 9, 10	<b>27,345,468</b>	20,810,575	15,600,321
Impairment loss on trade and other receivables	6	<b>21,074,810</b>	8,943,514	23,714,666
Repairs and maintenance		<b>8,718,418</b>	6,403,130	7,964,844
Rentals	10.3, 15.4, 19.2	<b>6,006,824</b>	16,358,553	16,510,049
Utilities and supplies		<b>5,588,177</b>	5,365,097	6,286,325
Trainings and conferences		<b>3,632,739</b>	9,417,725	5,123,112
Professional fees		<b>3,133,749</b>	2,047,629	1,964,242
Representation and entertainment		<b>2,915,968</b>	5,593,459	2,970,092
Others		<u>31,918,548</u>	<u>33,832,661</u>	<u>17,516,760</u>
		<b><u>P 606,381,096</u></b>	<b><u>P 495,497,437</u></b>	<b><u>P 434,482,135</u></b>

Others include office supplies, dues and charges, insurance, and printing and photocopying.

These expenses are classified in the consolidated statements of income as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cost of services	<b>P333,252,958</b>	P333,963,677	P293,962,230
Operating expenses	<b><u>273,128,138</u></b>	<u>161,533,760</u>	<u>140,519,905</u>
	<b><u>P606,381,096</u></b>	<u>P495,497,437</u>	<u>P434,482,135</u>

### 12.2 Finance Costs

The breakdown of this account is as follows:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interest costs on retirement benefit obligation – net	13.2	<b>P 1,382,353</b>	P 5,378,494	P 6,356,176
Interest cost on lease liability	10.2	<b>2,237,191</b>	-	-
Others	7, 15.3	<b><u>762,662</u></b>	<u>914,295</u>	<u>1,579,168</u>
		<b><u>P 4,382,206</u></b>	<u>P 6,292,789</u>	<u>P 7,935,344</u>

### 12.3 Disaggregation of Management Fees and Service Income

In 2019 and 2018, the Group derives revenue mainly from management of real estate properties and transportation services from which revenue is recognized over time when the performance of property management and transportation services have been substantially rendered in the following major types of properties and geographical areas:

	<u>Office Buildings</u>	<u>Residential Properties</u>	<u>Transportation Services and Others</u>	<u>Total</u>
<b><u>2019</u></b>				
Metro Manila	P 241,328,282	P 205,501,474	P 24,580,838	P 471,410,594
Visayas	<u>35,064,609</u>	<u>12,785,714</u>	<u>-</u>	<u>47,850,323</u>
	<b><u>P 276,392,891</u></b>	<b><u>P 218,287,188</u></b>	<b><u>P 24,580,838</u></b>	<b><u>P 519,260,917</u></b>
<b><u>2018</u></b>				
Metro Manila	P 211,692,130	P 256,611,988	P 21,967,597	P 490,271,715
Visayas	<u>39,219,011</u>	<u>9,678,571</u>	<u>-</u>	<u>48,897,582</u>
	<b><u>P 250,911,141</u></b>	<b><u>P 266,290,559</u></b>	<b><u>P 21,967,597</u></b>	<b><u>P 539,169,297</u></b>

### 13. EMPLOYEE BENEFITS

#### 13.1 Salaries and Employee Benefits

Expenses recognized as salaries and employee benefits are presented below.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2016</u>
Short-term benefits		<b>P315,523,534</b>	P290,286,379	P261,597,885
Post-employment benefits	13.2	<u>9,612,004</u>	<u>18,652,005</u>	<u>10,225,597</u>
	12.1	<b><u>P325,135,538</u></b>	<b><u>P308,938,384</u></b>	<b><u>P271,823,482</u></b>

#### 13.2 Retirement Benefit Obligation

The Parent Company and Citylink has not yet established a formal post-employment benefit plan and does not accrue post-employment benefits for its employees due to insignificance of the amount. However, FOPMI maintains a partially funded noncontributory post-employment benefit plan covering all its regular full-time employees.

##### (a) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit obligation and costs, and the amount of contributions. All amounts presented below are based on the most recent actuarial valuation report obtained from an independent actuary in 2019.

The amounts of retirement benefit obligation recognized in the consolidated statement of financial position as of December 31, 2018 are as follows:

Present value of the obligation	P 57,331,939
Fair value of plan assets	( <u>34,981,594</u> )
	<b><u>P 22,350,345</u></b>

The movements in present value of the retirement benefit obligation recognized are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	<b>P 57,331,939</b>	P 132,570,389
Current service costs	<b>9,612,004</b>	18,652,005
Interest costs	<b>3,545,941</b>	7,264,856
Past service cost due to benefit changes	-	( 65,395,697 )
Remeasurements –		
Actuarial gains (loss) arising from change in experience assumptions	<b>13,267,047</b>	( 35,759,614 )
Effect of deconsolidation	<b>( <u>83,756,931</u> )</b>	<u>-</u>
Balance at end of year	<b><u>P -</u></b>	<b><u>P 57,331,939</u></b>

The movements in the fair value of plan assets as of the beginning and end of 2019 and 2018 is presented below.

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	<b>P 34,981,594</b>	P 34,422,661
Interest income included in net interest cost	<b>2,163,588</b>	1,886,362
Remeasurement loss on plan assets	<b>( 578,828)</b>	( 1,327,429)
Effect of deconsolidation	<b>( 36,566,354)</b>	-
Balance at end of year	<b><u>P -</u></b>	<b><u>P 34,981,594</u></b>

The composition of the fair value of plan assets as at December 31, 2018 is shown below.

Unit investment trust fund (UITF)	P 25,346,110
Cash and cash equivalents	<u>9,635,484</u>
	<b><u>P 34,981,594</u></b>

The fair value of cash and cash equivalents is at Level 1 in the fair value hierarchy while the UITFs are at Level 2 (see also Note 22 for discussion on the levels of the fair value hierarchy).

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Reported in consolidated statements of income:</i>			
Current service costs	<b>P 9,612,004</b>	P 18,652,005	P 10,225,597
Net interest costs	<b>1,382,353</b>	5,378,494	6,356,176
Retirement benefit gain	<b>-</b>	( 65,395,697)	-
	<b><u>P 10,994,357</u></b>	<b><u>(P 41,365,198)</u></b>	<b><u>P 16,581,773</u></b>
<i>Reported in consolidated statements of comprehensive income –</i>			
<i>Actuarial losses (gains) arising from:</i>			
Experience adjustments	<b>P 13,267,047</b>	(P 35,759,614)	P -
Remeasurement loss on plan assets	<b>578,828</b>	1,327,429	577,339
	<b><u>P 13,845,875</u></b>	<b><u>(P 34,432,185)</u></b>	<b><u>P 577,339</u></b>

The amounts of post-employment benefit expense are allocated as follows:

	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cost of services		<b>P 7,489,291</b>	P 15,009,526	P 8,307,441
Operating expenses		<b>2,122,713</b>	3,642,479	1,918,156
	13.1	<b><u>P 9,612,004</u></b>	<b><u>P 18,652,005</u></b>	<b><u>P 10,225,597</u></b>

The interest expense, net of interest income, is included in Finance Costs account under Cost and Expenses section in the consolidated statements of income (see Note 12.2).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to consolidated statements of income.

In determining the amounts of the defined benefit obligation, the following significant actuarial assumptions were used:

	<u>2019</u>	<u>2018</u>
Discount rates	<b>5.05%</b>	<b>7.50%</b>
Expected rate of salary increases	<b>8.50%</b>	<b>10.00%</b>

Assumptions regarding future mortality are based on published statistics and mortality tables. The average expected remaining working life of FOPMI's employees retiring at 60 is 20 years for both male and female. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

*(b) Risks Associated with the Retirement Plan*

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

*(i) Investment and Interest Rate Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. Currently, the plan has investment in cash and cash equivalents and UITFs. Due to the long-term nature of the plan obligation, a level of continuing UITF investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

*(ii) Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.



(c) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions are described below.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2018:

	<u>Impact on Post-employment Defined Benefit Obligation</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
Discount rate	+/-0.5%	(P 5,295,882)	P 5,981,940
Salary growth rate	+/-1.0%	11,989,073	( 9,651,560)

The preceding sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, presenting in the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Funding Arrangements and Expected Contributions*

The Group's objective is to maintain a level of funding sufficient to cover the projected retirement benefit obligation. While there is no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments for the next 20 years as of December 31, 2018 are as follows:

More than one year to five years	P 7,000,295
More than five years to 10 years	12,222,966
More than 10 years to 15 years	40,700,526
More than 15 years to 20 years	<u>260,274,505</u>
	<u>P 320,198,292</u>

## 14. TAXES

The components of tax expense relating to profit or loss and other comprehensive income follow:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Reported in consolidated statements of income:</i>			
Current tax expense:			
RCIT at 30%	P 25,378,142	P 37,573,113	P 33,587,496
Final tax	4,636,532	1,598,453	713,098
MCIT at 2%	<u>-</u>	<u>126,196</u>	<u>72,540</u>
	<b>30,014,674</b>	39,297,762	34,373,134
Deferred tax expense (income) relating to origination and reversal of temporary differences	( <u>7,734,641</u> )	<u>10,173,694</u>	( <u>3,208,230</u> )
	<b><u>P 22,280,033</u></b>	<b><u>P 49,471,456</u></b>	<b><u>P 31,164,904</u></b>
<i>Reported in consolidated statements of comprehensive income –</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	<b>( <u>P 4,153,763</u> )</b>	<b><u>P 10,329,656</u></b>	<b>( <u>P 173,202</u> )</b>

A reconciliation of tax on pretax profit (loss) computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Tax on pretax profit (loss) at 30%	(P 87,749,911)	P 46,000,298	P 27,868,420
Adjustment for income subjected to lower income tax rates	( 679,158 )	( 799,227 )	( 356,549 )
Tax effects of:			
Non-deductible expenses	82,263,889	3,547,215	1,103,103
Unrecognized deferred tax assets	30,615,089	1,063,447	1,603,191
Nontaxable income	( 2,343,077 )	( 340,277 )	-
Reversal of previously recognized deferred tax asset	<u>173,201</u>	<u>-</u>	<u>946,739</u>
Tax expense	<b><u>P 22,280,033</u></b>	<b><u>P 49,471,456</u></b>	<b><u>P 31,164,904</u></b>

The Group is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher. The Parent Company did not report MCIT or RCIT in 2019, 2018 and 2017 as the Parent Company is in a gross loss position during the taxable years. Citylink reported MCIT in 2018, 2017 and 2016 since it is in a taxable loss position in those years. FOPMI reported RCIT in 2019, 2018 and 2017.

As of December 31, 2019 and 2018, the details of unrecognized NOLCO incurred by the Parent Company and Citylink, which can be claimed as deduction from their respective future taxable income within three years from the year the taxable loss was incurred are shown below.

<u>Entities</u>	<u>Year Incurred</u>	<u>Amount</u>	<u>Valid Until</u>
Parent Company	2019	P 94,834,032	2022
	2018	3,124,170	2021
	2017	3,014,158	2020
Citylink	2017	2,047,907	2020

The breakdown of MCIT which can be claimed as a credit against Citylink's RCIT as of December 31, 2018 is as follows:

<u>Year Incurred</u>	<u>Original Amount</u>	<u>Expired Amount</u>	<u>Remaining Balance</u>	<u>Valid Until</u>
2018	P 126,196	P -	P 126,196	2021
2017	72,540	-	72,540	2020
2016	<u>75,108</u>	<u>75,108</u>	<u>-</u>	
	<u>P 273,844</u>	<u>P 75,108</u>	<u>P 198,736</u>	

The deferred tax assets recognized by FOPMI as of December 31, 2018 relate to the following:

Allowance for impairment	P 8,354,237
Retirement benefit obligation	6,878,305
Unamortized past service costs	5,807,295
Accrued rent – PAS 17	<u>447,488</u>
	<u>P 21,487,325</u>

Starting 2017, management assessed that the deferred tax asset of Citylink arising from NOLCO is no longer recoverable as NOLCO may not be utilized within the prescribed period required by law. In addition, the NOLCO incurred by Citylink in 2017 was not recognized as deferred tax assets.

	<u>Consolidated Statements of Income</u>			<u>Consolidated Statements of Other Comprehensive Income</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Retirement benefit obligation	P 2,525,107	(P 12,409,559)	(P 5,352,267)	(P 4,153,763)	(P 10,329,656)	P 173,202
Allowance for impairment	6,322,443	2,683,054	2,805,264	-	-	-
Unamortized past service costs	( 665,420)	( 725,912)	6,533,207	-	-	-
Accrued rent – PAS 17	( 447,489)	278,723	168,765	-	-	-
NOLCO	-	-	( 946,739)	-	-	-
Net deferred tax income (expense)	<u>P 7,734,641</u>	<u>(P 10,173,694)</u>	<u>P 3,208,230</u>	<u>(P 4,153,763)</u>	<u>(P 10,329,656)</u>	<u>P 173,202</u>

In 2019, 2018 and 2017, the Group opted to continue claiming itemized deductions in computing for its income tax due.

## 15. RELATED PARTY TRANSACTIONS

The Group's transactions with related parties, which include stockholders, related parties by common ownership, the Group's key management and the retirement fund, are described below and in the succeeding pages.

Related Party Category	Notes	Amount of Transaction			Outstanding Receivable (Payable)	
		2019	2018	2017	2019	2018
<b>Stockholders:</b>						
Lease of properties	15.4	P 11,167,957	P 12,623,159	P 7,810,253	P -	P -
Advances obtained (paid)	15.3	-	3,610,064 (	379,614)	-	( 54,106,271)
Advance rental	15.4	-	195,350	3,252,215	-	3,904,917
Security deposits	15.4	-	415,379	2,723,342	-	3,138,721
Sale of investment property	15.2	27,382,014	-	-	27,382,014	-
Subscription receivable	15.1	3,750,000,000	-	-	3,937,500,000	187,500,000
<b>Related Parties Under Common Ownership:</b>						
Advances granted (collected)	15.2	46,403,743	( 104,694,702)	( 4,006,977)	-	161,618,242
Advances obtained (paid)	15.3	( 5,107,312)	( 2,667,333)	-	-	( 56,020,492)
<b>Key Management Personnel –</b>						
Compensation	15.5	30,672,448	33,006,118	16,652,675	-	-

### 15.1 Subscription Receivable

In 2019, the Parent Company's stockholders subscribed to additional shares of the Parent Company amounting to P5,000.0 million, of which P1,250.0 million was paid to the Parent Company representing 25% of the subscription (see Notes 1.1 and 18.1).

The Subscription Receivable account is netted against Capital Stock account shown in the consolidated statements of changes in equity.

### 15.2 Due from Related Parties

The Group grants unsecured cash advances to its related parties for working capital requirements. In 2019, the Parent Company also sold its investment property to a stockholder (see Note 9). These receivables are unsecured and collectible in cash on demand. The details of due from related parties as of December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Due from related parties	<b>P 27,382,014</b>	P 161,737,851
Allowance for impairment	<u>-</u>	<u>( 119,609)</u>
	<b><u>P 27,382,014</u></b>	<b><u>P 161,618,242</u></b>

The movement in due from related parties is as follows:

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year		<b>P 161,618,242</b>	P 56,923,540
Net advances during the year*		<b>47,655,033</b>	104,694,702
Sale of investment property	9	<b>26,130,724</b>	-
Effect of deconsolidation		<b>( 208,021,985)</b>	-
Balance at end of year		<b><u>P 27,382,014</u></b>	<b><u>P 161,618,242</u></b>

\*Amount includes other related transaction costs and taxes on the sale of investment property.

Based on management's assessment, no additional impairment loss is necessary to be recognized in 2019, 2018 and 2017 on these advances.

### ***15.3 Due to Related Parties***

The Group obtains unsecured, interest and noninterest-bearing advances from a stockholder and related parties under common ownership for working capital purposes. These advances are payable in cash on demand.

Certain advances from a stockholder with carrying amount of P14.6 million and P16.0 million as of December 31, 2018 and 2017, respectively, and bears interest at 6% per annum. Interest expense related to these advances is presented as part of Others under Finance Costs account in the 2018 and 2017 consolidated statements of income (see Note 12.2).

The movements in due to related parties are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	<b>P 110,126,763</b>	P 109,184,032
Net advances paid during the year	<b>( 5,107,312)</b>	942,731
Effect of deconsolidation	<b>( 105,019,451)</b>	-
Balance at end of year	<b><u>P -</u></b>	<b><u>P 110,126,763</u></b>

### ***15.4 Lease of Properties***

In 2017, FOPMI entered into a lease agreement with a stockholder for the lease of its new office facilities for a period of five years. Rental charges arising from these transactions are presented as part of Rentals under Operating Expenses account in the 2018 and 2017 consolidated statements of income (see Note 12.1). There were no unpaid rentals as of December 31, 2019 and 2018. The security deposits and advance rentals are shown as part of Security and other refundable deposits and as Advance rentals, respectively, under Other Non-current Assets account in the 2018 consolidated statement of financial position (see Note 7). There was no rental expense recognized in 2019 as FOPMI already recognized a ROUA and lease liability with respect to the said lease contract (see Note 10).

### 15.5 Key Management Personnel Compensation

The compensation of Group's key management personnel in 2019, 2018 and 2017 are broken down as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Salaries and short-term benefits	<b>P 28,177,648</b>	P 30,899,238	P 14,862,675
Retirement benefit	<u>2,494,800</u>	<u>2,106,880</u>	<u>1,790,000</u>
	<b><u>P 30,672,448</u></b>	<b><u>P 33,006,118</u></b>	<b><u>P 16,652,675</u></b>

The Parent Company's administrative functions are being handled by Megaworld, a significant stockholder, at no cost to the Parent Company.

### 15.6 Retirement Plan

FOPMI's retirement fund for its defined benefit post-employment plan is administered and managed by a trustee bank. The details of the fair value and the composition of the plan assets as of December 31, 2019 and 2018 is presented in Note 13.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

## 16. INVESTMENT IN AN ASSOCIATE

As disclosed in Note 1.2, in December 2019, a new investor, which is a related party to a substantial stockholder of the Parent Company, infused capital in form of cash to FOPMI which diluted the ownership interest of the Parent Company to 24.27%. The Parent Company lost its control over FOPMI but retained a significant influence over the latter. Accordingly, the Parent Company recognized the investment in FOPMI as an investment in an associate at the fair value upon initial recognition.

The summarized financial position of FOPMI and Citylink on the date of loss of control is shown below.

Current assets	P 852,631,565
Non-current assets	<u>134,138,970</u>
Total assets	<b><u>P 986,770,535</u></b>
Current liabilities	P 371,854,457
Non-current liabilities	<u>67,348,966</u>
Total liabilities	<b><u>P 439,203,423</u></b>

The summarized financial performance of FOPMI and Citylink from January 1, 2019 until the date of the loss of control is shown below.

Revenue	P <u>567,409,957</u>
Profit for the period	<u>37,097,319</u>
Other comprehensive loss for the period	( <u>9,692,112</u> )
Total comprehensive income for the period	<u>P 27,405,207</u>

A reconciliation of the above summarized financial information to the carrying amount of the investment in an associate is shown below.

Fair value of the net assets of FOPMI and Citylink	P 547,567,112
Proportion of ownership interest	<u>24.27%</u>
Carrying amount of investment	<u>P 132,874,443</u>

The movement in the Investment in an Associate account is shown below.

Balance at initial recognition	P 132,874,443
Equity in net earnings of an associate:	
Profit or loss	7,810,256
Other comprehensive income	<u>460,033</u>
Carrying amount of investment	<u>P 141,144,732</u>

No dividends were received from FOPMI in 2019. FOPMI is a private company and there are no quoted prices available for its shares of stocks.

### ***16.1 Summarized Financial Information***

Significant financial information of FOPMI and Citylink as at December 31, 2019 is presented as follows:

Current assets	P 789,455,040
Non-current assets	<u>134,740,430</u>
Total assets	<u>P 924,195,470</u>
Current liabilities	P 293,662,918
Non-current liabilities	<u>53,585,435</u>
Total liabilities	<u>P 347,248,353</u>
Revenue	<u>P 641,457,762</u>
Profit for the year	<u>64,581,559</u>
Other comprehensive loss for the year	( <u>7,796,347</u> )
Total comprehensive income for the year	<u>P 56,785,212</u>

## 17. EARNINGS (LOSS) PER SHARE

The basic and diluted earnings per share (EPS) is computed as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net profit (loss)	<b>(P 314,779,735)</b>	P 103,862,869	P 61,729,829
Divided by the weighted average number of outstanding shares	<u><b>2,400,684,932</b></u>	<u>2,250,000,000</u>	<u>2,250,000,000</u>
Basic and diluted EPS	<u><b>(P 0.131)</b></u>	<u>P 0.046</u>	<u>P 0.027</u>

The Group has no potentially dilutive shares as of the end of each reporting period.

## 18. EQUITY

### 18.1 Capital Stock

The details of the Parent Company's capital stock as of December 31, 2019 and 2018 are as follows:

	<u>Shares</u>		<u>Amount</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Common shares – P1 par value				
Authorized				
Balance at beginning of year	<b>3,000,000,000</b>	3,000,000,000	<b>P3,000,000,000</b>	P 3,000,000,000
Approved during the year	<u><b>20,000,000,000</b></u>	<u>-</u>	<u><b>20,000,000,000</b></u>	<u>-</u>
Balance at end of year	<u><b>23,000,000,000</b></u>	<u>3,000,000,000</u>	<u><b>P23,000,000,000</b></u>	<u>P 3,000,000,000</u>
Subscribed:				
Balance at beginning of year	<b>2,250,000,000</b>	2,250,000,000	<b>P2,250,000,000</b>	P 2,250,000,000
Subscribed during the year	<u><b>5,000,000,000</b></u>	<u>-</u>	<u><b>5,000,000,000</b></u>	<u>-</u>
Balance at end of year	<u><b>7,250,000,000</b></u>	<u>2,250,000,000</u>	<u><b>7,250,000,000</b></u>	<u>2,250,000,000</u>
Subscription receivable:				
Balance at beginning of year			<b>187,500,000</b>	187,500,000
Subscribed during the year			<b>5,000,000,000</b>	-
Collection during the year			<b>( 1,250,000,000)</b>	-
Balance at end of year			<u><b>3,937,500,000</b></u>	<u>187,500,000</u>
			<u><b>P 3,312,500,000</b></u>	<u>P 2,062,500,000</u>

In 2019, the Parent Company's application for increase in authorized capital stock was approved by the SEC (see Note 1.1).

On June 9, 2006, the SEC approved the listing of the Parent Company's common shares totaling 2,000,000,000. The shares were initially issued at an offer price of P1.00 per share. There was no additional listing of shares subsequent to initial listing. As of December 31, 2019 and 2018, there are 1,589 and 1,596 holders of the listed shares, respectively, which closed at P1.23 and P0.74 per share, respectively.

As of December 31, 2019, the Company did not pursue its application with the PSE on the pre-emptive rights offer due to the changes in business plans.



## 18.2 Deficit

In 2018, the Group adopted PFRS 9 using the modified retrospective approach. The adoption resulted into an adjustment to the Deficit account of P5.7 million.

## 19. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

### 19.1 Co-Development and Lease Agreement with a Related Party Under Common Ownership

In 2019, the Parent Company entered into a Co-Development Agreement with a related party under common ownership, with respect to the development of a hotel and casino. Under this agreement, the Parent Company is to raise funds of not less than US\$300.0 million within 5 months, US\$200.0 million of which is payment for the initial cost of the project. On March 28, 2020, this was further extended by the parties to July 31, 2020.

On January 20, 2020, the Parent Company entered into a supplemental agreement with the related party that includes the payment of a refundable deposit amounting to US\$20.0 million on or before January 31, 2020 and the balance of the initial cost of the project to be paid within 10 days from the date on which all the conditions precedent under the Co-Development Agreement are fulfilled. As of the date of the release of the consolidated financial statements, only the payment of the refundable deposit amounting to US\$20.0 million (P1.0 billion) has been complied with.

On February 21, 2020 and in relation to the Co-Development Agreement, the Parent Company entered into a lease agreement with related party over three parcels of land. The lease agreement provides from an original term of until August 19, 2039 and is renewable automatically for another 25 years subject to applicable laws and upon agreement by both parties. The related annual rental is set at US\$10.6 million.

### 19.2 Operating Lease Commitment – Group as a Lessee

FOPMI is a lessee under an operating lease covering its office facilities. In 2017, FOPMI entered into a new lease agreement for a new office facilities at the same time the lease agreement for its old office facilities was terminated in the same year. The lease has a term of five years, with renewal options. The future lease payments under this operating lease as of December 31, 2018 are shown below.

Within one year	P 12,223,535
After one year but not more than five years	<u>33,188,959</u>
	<u>P 45,412,494</u>

Total rental expense in 2018 and 2017 from these operating leases are shown as part of Rentals under Operating Expenses account in the consolidated statements of income (see Notes 12.1 and 15.4).

### **19.3 Others**

The Group has other commitments and contingencies that may arise in the normal course of the Group's operations which have not been reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these other commitments will not have material effects on the Group's consolidated financial statements.

## **20. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's risk management is coordinated with the BOD and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described below and in the succeeding pages.

### **20.1 Interest Rate Risk**

As at December 31, 2019 and 2018, the Group is exposed to changes in market interest rates through its cash and cash equivalents and short-term investments which are subject to variable interest rates (see Notes 5 and 7). All other financial assets and financial liabilities have fixed rates or are noninterest-bearing. Management believes that the impact of the fluctuations in interest rates would not materially impact the Group's consolidated financial statements since the interest rates have shown insignificant changes during the years and the Group's interest income from cash and cash equivalents and short-term investments amounts only to P15.3 million, P8.0 million and P3.7 million in 2019, 2018 and 2017, respectively.

### **20.2 Credit Risk**

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

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

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	5	<b>P1,278,214,939</b>	P 256,844,016
Due from related parties – net	15.2	<b>27,382,014</b>	161,618,242
Trade and other receivables – net	6	<b>75,596</b>	126,190,808
Short-term investments	7	-	77,652,631
Security and other refundable deposits – net	7	-	5,036,378
		<b><u>P 1,305,672,549</u></b>	<b><u>P 627,342,075</u></b>

None of the Group’s financial assets are secured by collateral or other credit enhancements except for cash and cash equivalents as described below.

(a) *Cash and Cash Equivalents and Short-term Investments*

The credit risk for cash and cash equivalents and short-term investments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks, which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking unit as provided for under Republic Act (R.A.) 9302, *Charter of Philippine Deposit Insurance Corporation*, are still subject to credit risk.

(b) *Trade and Other Receivables*

The Group applies simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

In measuring the expected credit losses, trade receivables and other receivables are grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

The Group did not incorporate macro-economic variable on its default rate due to undue costs or effort [see Notes 3.2(b)].

On that basis, the expected credit losses for the year ended December 31, 2019 and 2018 was determined based on months past due, as follows for trade receivables:

	Not more than 3 mos.		More than 3 mos. but not more than 6 mos.		More than 6 mos. but not more than 1 year		More than 1 year		Total
<b>December 31, 2019 *</b>									
Expected loss rate	0%		0%		94.06%		100%		
Gross carrying amount P	53,177,558	P	10,769,538	P	15,722,254	P	32,735,385	P	112,404,736
Loss allowance	-		-		14,787,899		32,735,385		47,523,284
<b>December 31, 2018</b>									
Expected loss rate	0%		0%		94.06%		100%		
Gross carrying amount P	61,059,428	P	20,218,932	P	12,143,007	P	15,267,660	P	108,689,027
Loss allowance	-		-		11,180,814		15,267,660		26,448,474

\* These pertains to the receivables of FOPMI on the date of loss of control.

(c) *Due from Related Parties*

ECL for Due from related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to pay the advances upon demand at the reporting date taking into consideration the historical defaults from related parties. Based on management's assessment, impairment allowance is not material as at December 31, 2019 and 2018.

**20.3 Liquidity Risk**

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six months and one year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

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

	Within 6 months		Within 6 - 12 months
Trade and other payables	P 2,491,055	P	-
Due to related parties	-		-
	<u>P 2,491,055</u>		<u>-</u>

As at December 31, 2018, the Group's financial liabilities have contractual maturities which are presented below.

	Within 6 months		Within 6 - 12 months
Trade and other payables	P 108,608,017	P	6,998,863
Due to related parties	<u>110,564,751</u>		-
	<u>P 219,172,768</u>		<u>6,998,863</u>

The Group does not have non-current financial liabilities as of December 31, 2019 and 2018.

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

## 21. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 21.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	2019		2018	
		Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Cash and cash equivalents	5	P 1,278,214,939	P1,278,214,939	P 256,844,016	P 256,844,016
Due from related parties – net	15.2	27,382,014	27,382,014	161,618,242	161,618,242
Trade and other receivables – net	6	75,596	75,596	126,190,808	126,190,808
Short-term investment	7	-	-	77,652,631	77,652,631
Security and other refundable deposits – net	7	-	-	5,036,378	5,036,378
		<u>P 1,305,672,549</u>	<u>P1,305,672,549</u>	<u>P 627,342,075</u>	<u>P 627,342,075</u>
<b>Financial liabilities</b>					
Financial liabilities at amortized cost:					
Trade and other payables	11	P 2,491,055	P 2,491,055	P 115,606,880	P 115,606,880
Due to related parties	15.3	-	-	110,126,763	110,126,763
		<u>P 2,491,055</u>	<u>P 2,491,055</u>	<u>P 225,733,643</u>	<u>P 225,733,643</u>

See Notes 2.4 and 2.9 for the description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 20.

### 21.2 Offsetting of Financial Assets and Financial Liabilities

The Group does not have relevant offsetting arrangements. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Group's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances.

## 22. FAIR VALUE MEASUREMENT AND DISCLOSURES

### 22.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### ***22.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed***

The Group's financial assets which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed include cash and cash equivalents, which are categorized as Level 1, and trade and other receivables, due from related parties and security and other refundable deposits, which are categorized as Level 3. Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain to trade and other payables, and due to related parties which are categorized under Level 3.

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

### ***22.3 Fair Value Measurement for Investment Property***

The fair value of the Group's investment properties were determined by calculating the present value of the cash inflows anticipated until the end of useful life of the investment properties using a discount rate that reflects the risks and uncertainty in cash flows. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment properties is their current use.

In 2018, the fair value of the Group's investment properties is classified in Level 3 of the fair value hierarchy. The Level 3 fair value of the investment properties, amounting to P27.5 million as of December 31, 2018 and was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2018.

## **23. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders in the future.

The Group also monitors capital on the basis of the carrying amount of equity as presented on the consolidated statements of financial position. It sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

## **24. OTHER INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION**

RA No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (the Revised Corporation Code) took effect on March 8, 2019. The new provisions of the Revised Corporation Code or any amendments thereof have no significant impact to the Group's consolidated financial statements.

## **25. EVENTS AFTER THE END OF THE REPORTING PERIOD**

### ***25.1 Transactions and Agreements with a Related Party under Common Ownership***

Subsequent to the end of the reporting period, the Parent Company entered into various transactions and agreements with a related party under common ownership related to its Co-Development Agreement with the latter (see Note 19.1).

In relation to this, on May 4, 2020, the Parent Company entered into an Operations and Management Agreement with the same related party for the operation and management of the Main Hotel Casino covered in the co-development project. The agreement has a term of until July 11, 2033.

### ***25.2 Incorporation of New Subsidiaries***

On January 20, 2020, the Parent Company established SWC Project Management Limited, a new wholly owned subsidiary in Hong Kong. In addition, on February 17, 2020, the Parent Company also established WC Project Management Limited, also a new wholly owned subsidiary, in Macau. Both subsidiaries are engaged in provision of project management services.

### **25.3 COVID-19 Outbreak**

Subsequent to the end of the reporting period, the Parent Company and other businesses have been significantly exposed to the risks brought about by the outbreak of the new coronavirus disease, COVID-19. Governmental efforts being implemented to control the spread of the virus include travel bans, quarantines, social distancing and suspension of non-essential services. The Parent Company's management is carefully reviewing all rules, regulations, and orders and responding accordingly.

Though the disruption is currently expected to be temporary, the Parent Company anticipates that this will have an adverse impact on economic and market conditions and affect the Parent Company's business plans. As discussed in Note 19.1, the Parent Company is party to a co-development project. Although the project is still in the planning stage, home-based work may lead to delays on the targeted completion and turnover of the said project.

While management currently believes that the pandemic may not significantly impact the Parent Company's business plans, the ultimate impact of the pandemic is highly uncertain and subject to change. The severity of these consequences will depend on certain developments, including the duration and spread of the outbreak and its impact on the Parent Company's suppliers and employees as well as the counterparty to the co-development agreement. As of the date of the issuance of the financial statements, the management believes that there were no significant financial consequences arising from the pandemic. However, this remains to be uncertain and cannot be predicted. Accordingly, management is not able to reliably estimate the impact of the outbreak on the Parent Company's financial position and results of operation for future periods.

The Parent Company would continue to conduct its business while placing paramount consideration on the health and welfare of its suppliers, employees and other stakeholders. The Parent Company will coordinate with Fortune to activate business continuity and contingency plans.

The Parent Company has determined that these events are non-adjusting subsequent events. Accordingly, their impact was not reflected in the consolidated financial statements as of and for the year ended December 31, 2019.





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**Report of Independent Auditors  
to Accompany Supplementary  
Information Required by the  
Securities and Exchange Commission  
Filed Separately from the Basic  
Consolidated Financial Statements**

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


T +63 2 8988 2288

**The Board of Directors and Stockholders  
Suntrust Home Developers, Inc. and Subsidiaries  
(A Subsidiary of Fortune Noble Limited)**

26<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Suntrust Home Developers, Inc. and Subsidiaries (the Group) for the year ended December 31, 2019, on which we have rendered our report dated May 15, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

  
By: **Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8116553, January 2, 2020, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 15, 2020

**Certified Public Accountants**

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

[grantthornton.com.ph](http://grantthornton.com.ph)

Offices in Cavite, Cebu, Davao  
BOA/PRC Cert of Reg. No. 0002  
SEC Accreditation No. 0002-FR-5

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**List of Supplementary Information**  
**December 31, 2019**

<u>Schedule</u>	<u>Contents</u>	<u>Page No.</u>
<b>Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68</b>		
A	Financial Assets	N/A
B	Amounts Receivables from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	1
C	Amounts Receivable/ Payable from/to Related Parties which are Eliminated during the Consolidation of Financial Statements of Financial Statements	N/A
D	Long-term Debt	N/A
E	Indebtedness to Related Parties (Long-term Loans from Related Companies)	2
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	3

**Other Required Information**

Reconciliation of Retained Earnings Available for Dividend Declaration

Map Showing the Relationship Between the Company and its Related Entities

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**Schedule B - Amounts Receivables from Directors, Officers, Employees, Related Parties, and Principal Stockholders**  
**(Other than Related Parties)**  
**December 31, 2019**

<i>Name</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deductions</i>	<i>Ending Balance</i>		<i>Total</i>
				<i>Current</i>	<i>Not Current</i>	
Officers and Employees	P 8,288,349	-	( P 8,288,349 )	-	-	-

Note: The receivables from officers and employees is at nil as of December 31, 2019 due to the deconsolidation of the Company's subsidiaries.

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**Schedule E - Indebtedness to Related Parties**  
**December 31, 2019**

<i>Name of related party</i>		<i>Balance at the beginning of year</i>	<i>Balance at the end of year</i>
Megaworld Corporation	P	54,106,271	-
Empire East Landholdings, Inc.		34,449,016	-
Golden Hands Multipurpose Corporation		14,527,064	-
Eastwood Cyber One Corporation		2,568,593	-
Megaworld Land, Inc.		4,000,000	-
Others		475,818	-
		<hr/>	<hr/>
Total	P	<u>110,126,762</u>	<u>-</u>

Note: The balances due to related parties is at nil as of December 31, 2019 due to the deconsolidation of the Company's subsidiaries.

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**Schedule G - Capital Stock**  
**December 31, 2019**

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
<b>Common</b>	23,000,000,000	3,312,500,000	-	2,546,528,992	7	765,971,001

Note: The Company's stockholders subscribed to a total of 7.25 billion shares, 3.31 billion of which was paid as of December 31, 2019.

**SUNTRUST HOME DEVELOPERS, INC.**

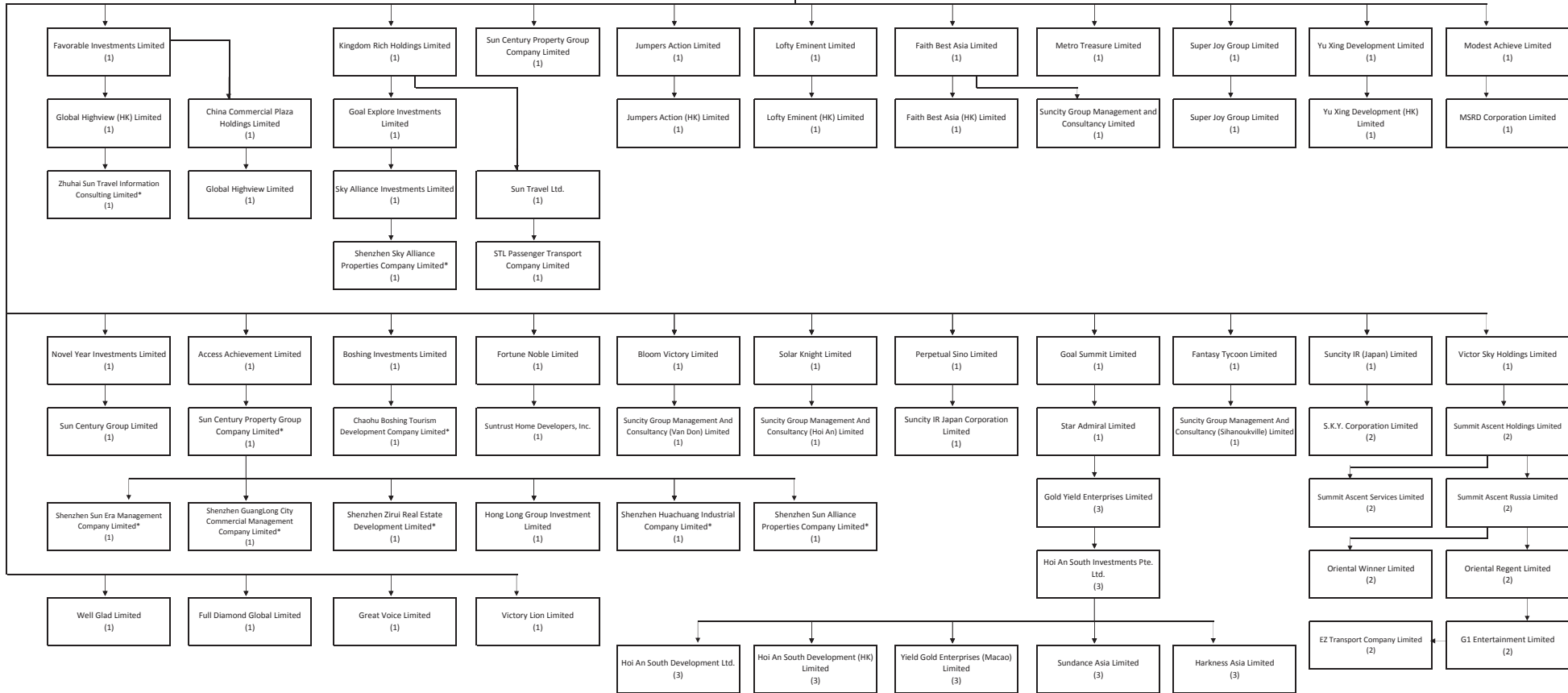
**Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration  
For the Year Ended December 31, 2019**

<b>Deficit, at beginning of year</b>	( P 1,949,180,334 )
<b>Net Income Realized during the Year</b>	
Net income per audited financial statements	<u>19,817,302</u>
<b>Deficit, at end of year</b>	( <u>P 1,929,363,032</u> )

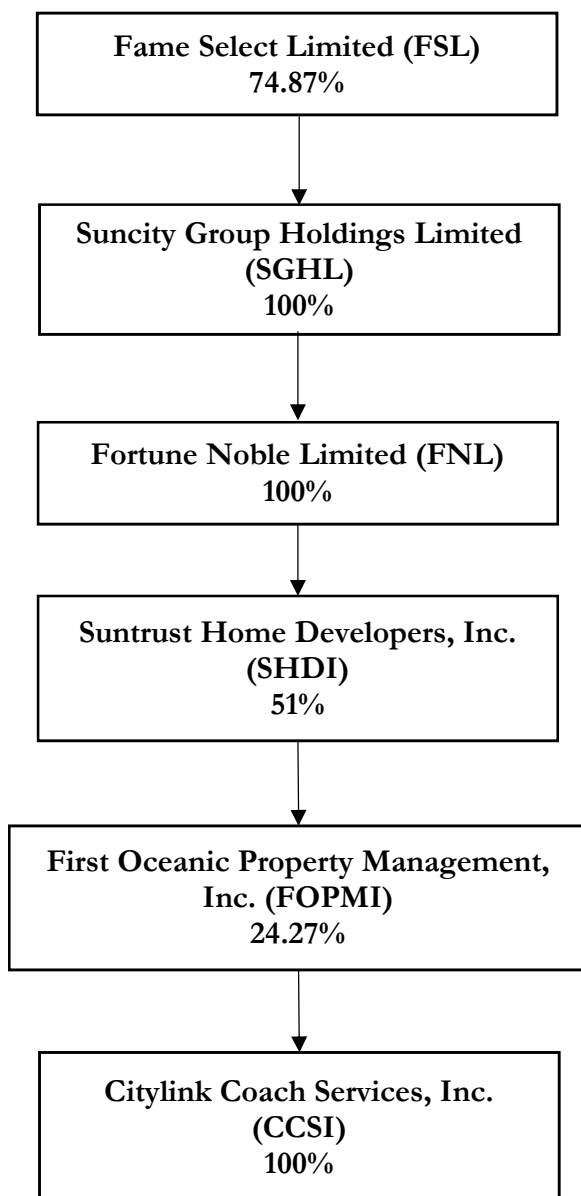
Fame Select Limited  
(Parent Company)

Suncity Group Holdings Limited

**Legend**  
*Relationship with Suncity Group Holdings Limited*  
 (1) Subsidiary  
 (2) Associate  
 (3) Joint Venture  
 \* For identification purposes only



**Suntrust Home Developers, Inc.**  
**Mapping of Related Parties**  
**December 31, 2019**



FSL is the ultimate parent company.

SGHL is a subsidiary of FSL. FNL is a subsidiary of SGHL.

SHDI is considered as FNL's subsidiary while FOPMI is SHDI's associate.

CCSI is FOPMI's subsidiary.





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**Report of Independent Auditors  
on Components of  
Financial Soundness Indicators**

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

T +63 2 8988 2288

**The Board of Directors and Stockholders**  
**Suntrust Home Developers, Inc. and Subsidiaries**  
*(A Subsidiary of Fortune Noble Ltd.)*

26<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street corner 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Suntrust Home Developers, Inc. and Subsidiaries (the Group) for the years ended December 31, 2019 and 2018, on which we have rendered our report dated May 15, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for the years then ended and no material exceptions were noted.

**PUNONGBAYAN & ARAULLO**



By: **Renan A. Piamonte**  
Partner

CPA Reg. No. 0107805  
TIN 221-843-037  
PTR No. 8116553, January 2, 2020, Makati City  
SEC Group A Accreditation  
Partner - No. 107805-SEC (until Dec. 31, 2023)  
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Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 15, 2020

**Certified Public Accountants**  
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

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Offices in Cavite, Cebu, Davao  
BOA/PRC Cert of Reg. No. 0002  
SEC Accreditation No. 0002-FR-5

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**ANNEX 68-E - SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
December 31, 2019 and 2018

<b>Ratio</b>	<b>Formula</b>	<b>Current Year</b>	<b>Prior Year</b>
Current ratio	Current assets / Current liabilities	22.74	2.35
Acid test ratio	Quick assets / Current liabilities (Quick assets include current assets less other current assets)	22.71	2.01
Solvency ratio	Total liabilities / Total assets	0.04	0.39
Debt-to-equity ratio	Total liabilities / Total stockholders' equity	0.04	0.64
Asset-to-equity ratio	Total assets / Total stockholders' equity	1.04	1.64
Interest rate coverage ratio	EBIT / Total interest	-65.75	25.37
Return on equity	Net profit (loss) / Average total equity	-0.34	0.26
Return on assets	Net profit (loss) / Average total assets	-0.28	0.14
Net profit margin	Net profit (loss) / Total revenues	-0.54	0.16

# SUSTAINABILITY REPORT

## Contextual Information

Company Details	
Name of Organization	SUNTRUST HOME DEVELOPERS, INC.
Location of Headquarters	26 <sup>th</sup> Floor Alliance Global Tower, 36 <sup>th</sup> Street cor. 11 <sup>th</sup> Avenue, Uptown Bonifacio, Taguig City
Location of Operations	26 <sup>th</sup> Floor Alliance Global Tower, 36 <sup>th</sup> Street cor. 11 <sup>th</sup> Avenue, Uptown Bonifacio, Taguig City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Suntrust Home Developers, Inc. (the “Company”)
Business Model, including Primary Activities, Brands, Products, and Services	The Company has been engaged in the business of a holding company with investments in stocks. In October 2019, its Board of Directors approved the shift in its focus to tourism-related businesses.
Reporting Period	F.Y. 2019

*\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

**Considering the shift in its business focus to tourism-related businesses in the last quarter of 2019, the Company continues to assess its baseless to assess and monitor its environmental, social and governance (“ESG”) impacts, providing an opportunity to institute and implement policies and initiatives to strengthen its ESG performance and reporting.**

**Guided by policies laid down by the Board of Directors, the Management continues to evaluate and determine its ESG-related risks for its tourism-related businesses. The Management is responsible for ensuring that appropriate and effective ESG risk management and internal control systems are in place, and that ESG policies approved by the Board of Directors are coordinated and implemented. The Management is also accessing and addressing the definition and concerns of the stakeholders of the Company. The stakeholders, who may be affected by the Company’s decisions or can influence the implementation of the Company’s decisions, include customers, suppliers, employees and shareholders.**

**SASB’s Materiality Map<sup>®1</sup> identifies sustainability-related business issues, which may constitute disclosure topics, that vary by industry, such as:**

<sup>1</sup> See <http://materiality.sasb.org/>.

Dimensions	Casino & Gaming	Hotel & Lodging
Environment	Energy Management	Energy Management Water & Wastewater Management Ecological Impacts
Social Capital	Consumer Welfare	
Human Capital	Employee Health & Safety	Labor Practices
Business Mode & Innovation	Business Ethics	Physical Impacts of Climate Change

Considering that its tourism-related businesses are not yet operational, the Company does not have sufficient data yet with respect to ESG-related impacts of such businesses. Relevant sustainability-related issues may be considered in subsequent reports.

As such, this report only covers the Company's operations as a holding company.

As an investment holding company, the Company generates minor ESG impacts. It does not produce sewage, exhaust gas, and hazardous waste. Indirect environmental impacts are mainly generated from electricity and water used in its administrative office and used office papers. This report assessed and disclosed the Company's environmental, social and governance impacts.

Environmental indicators include:

- Electricity and water consumption
- Environmental impact management

Social indicators include:

- Labor laws and human rights

Governance indicators include:

- Data privacy
- Business ethics

## ENVIRONMENT

### [Energy and water consumption within the organization](#)

The Company's energy and water consumption are generated from usage in its administrative office. Its energy and water consumption are not significant.

In 2019, the Company's administrative requirements are provided to it by a principal shareholder. As such, it has no available statistical data on its energy and water consumption.

### [Environmental impact management](#)

The Company has not caused any material emissions or air pollution. Air emission may have been

produced, to a certain degree, from the consumption of electricity in the Company's administrative office or gasoline consumption of vehicles used to attend to the Company's activities as an investment holding company. However, the Company has no sufficient statistical data available on the matter considering that its administrative requirements are provided to it by its substantial shareholder.

Neither did the Company generate any material amount of solid waste. Solid waste includes office paper. Internal policies to minimize the use of paper (such as by maximizing the use of emails and electronic documents and encouraging paper recycling) are being implemented. The Company has used about 20 rims of A4 good quality paper in preparing and filing necessary reports to management, advisers, and relevant government agencies.

The Company does not produce effluents, exhaust gas, and hazardous waste.

## SOCIAL

### Labor Laws and Human Rights

The Company is committed to maintaining fair and comprehensive employment policies and practices to ensure the compliance with all relevant laws and regulations, including ethical standards such as providing equal opportunity and career development to all employees.

The Company adheres to its Code of Business Ethics which provides that the Company shall faithfully comply with employment and labor law & policies and reasonably assist its and its subsidiaries and affiliates' employee and his family in providing for their economic security.

In 2019, the Company did not require a significant number of employees for its activities as an investment holding company. Its administrative requirements were also provided to it by a principal shareholder. It could be expected that the Company would hire more employees in subsequent years to support its tourism-related businesses.

There has been neither incident of work-related injuries nor any violation of occupational health and safety requirements.

## GOVERNANCE

### Business Ethics

The Company adheres to its Code of Business Conduct and Ethics, which mandates its directors, management, and employees to faithfully comply with applicable laws and best business practices, including laws and policies prohibiting use of position or influence or solicitation or acceptance of gifts.

Its Code of Business Conduct and Ethics cover topics on (i) conflict of interest; (ii)

conduct of business and fair dealings; (iii) receipt of gifts from third parties; (iv) compliance with laws and regulations; (v) respect for trade secrets; (vi) responsible use of company funds, assets, and information; (vii) employment and labor laws and policies; (viii) disciplinary action; (ix) whistle blower; and (x) conflict resolution.

**The Company's activities as an investment holding company do not require engagements with a significant number of suppliers. It may define further policies on supplier accreditation with respect to its tourism-related businesses to balance maintaining long term relationship with its suppliers and monitoring supplier's sustainability performance.**

**There has been no incident of corruption involving its directors, officers, employees, and business partners.**

### Data Security

**There has been on data breach of violation, including leaks, thefts, or losses of data.**

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Hotel and Casino <sup>2</sup>	Decent work and Economic Growth; Reduced Inequalities; Improved quality of life; Sustainable Cities and Communities	Energy management; Water & waste management; Employee health & safety; Ecological Impacts	The Board of Directors and the Management will review the Company's ESG impacts regularly, including environmental protection, employment and labor practices, operating practices, and community investment, and implement appropriate measures to enhance the ESG performance of the Company.

<sup>2</sup> The Company is developing a hotel and casino, which is at construction and planning phase.

1 0 6 8 3

S.E.C. Registration Number

S U N T R U S T H O M E  
D E V E L O P E R S , I N C .

(Company's Full Name)

2 6 T H F L R . A L L I A N C E G L O B A L  
T O W E R . 3 6 T H S T . C O R . 1 1 T H  
A V E N U E U P T O W N B O N I F A C I O  
T A G U I G C I T Y . M E T R O M A N I L A

(Business Address: No. Street City/ Town/ Province)

**ROLANDO D. SIATELA**

Contact Person

**(623) 894-6300**

Company Telephone Number

1 2

Month Day  
Fiscal Year

3 1

S E C F O R M 1 7 - Q

FORM TYPE

10

Month Day  
Annual Meeting

**Last Tuesday**

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 I.D.

Cashier

\_\_\_\_\_

STAMPS

Remarks = pls. use black ink for scanning purposes



# SUNTRUST HOME DEVELOPERS, INC.

26<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio,  
Taguig City, 1634, Metro Manila, Philippines  
Tel: (632) 894-6300

## SECURITIES AND EXCHANGE COMMISSION

### SEC FORM 17-Q

#### QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2 (b) THEREUNDER

1. For the quarterly period ended **31 March 2020**
2. SEC Identification Number: **10683**      3. BIR Tax Identification Number: **000-141-166**
4. **SUNTRUST HOME DEVELOPERS, INC.**  
Exact name of issuer as specified in its charter
5. **Metro Manila, Philippines**  
Province, Country, or other jurisdiction of incorporation or organization

6.   
(SEC Use Only)

Industry Classification Code:

7. **26<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street corner 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City 1634**  
Address of issuer's principal office
8. **(632) 8 894-6300**  
Issuer's Telephone Number, including area code

9. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of the RSA

TITLE OF EACH CLASS	NUMBER OF SHARES OF COMMON STOCK OUTSTANDING
Common	7,250,000,000

10. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes []                      No []

**Philippine Stock Exchange**

**Common Shares**

11. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.

Yes []                      No []

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

Yes []                      No []

## **PART I - FINANCIAL INFORMATION**

- Item 1. Financial Statements
1. Consolidated Statements of Financial Position (Exhibit 1)
  2. Consolidated Statements of Income (Exhibit 2)
  3. Consolidated Statements of Changes in Equity (Exhibit 3)
  4. Statements of Cash Flows (Exhibit 4)
  5. Notes to Interim Financial Statements (Exhibit 5)
- Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition
- Please see Exhibit 6
- Item 3. Aging of Accounts Receivable
- Please see attached hereto as Exhibit 7
- Item 4. Schedule of Financial Soundness Indicators
- Please see Exhibit 8

## **PART II - OTHER INFORMATION**

The Company is not in possession of any information which may, at its option, be reported under this item and which would otherwise be required to be filed in a report on SEC Form 17-C.

### **SIGNATURES**

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

**SUNTRUST HOME DEVELOPERS, INC.**  
Issuer

By:

  
**NEOLI MAE L. KHO**  
Treasurer (Principal Financial Officer  
and Duly Authorized Officer)

June 30, 2020

**EXHIBIT 1**

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2020 AND DECEMBER 31, 2019**  
*(Amounts in Philippine Pesos)*

<b>A S S E T S</b>	<b>Unaudited March 31, 2020</b>	<b>Audited December 31, 2019</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	P 185,294,865	P 1,278,214,939
Trade and other receivables	54,940	75,596
Due from related parties - net	27,382,014	27,382,014
Other current assets - net	<u>2,557,492</u>	<u>2,092,871</u>
Total Current Assets	<u>215,289,311</u>	<u>1,307,765,420</u>
<b>NON-CURRENT ASSETS</b>		
Investment in an associate	142,669,520	141,144,732
Deposit	1,018,840,000	-
Property and equipment - net	<u>637,304</u>	<u>-</u>
Total Non-current Assets	<u>1,162,146,824</u>	<u>141,144,732</u>
<b>TOTAL ASSETS</b>	<b><u>P 1,377,436,135</u></b>	<b><u>P 1,448,910,152</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	P 5,340,693	P 57,502,895
Due to related parties	<u>1,355,368</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>6,696,061</u>	<u>57,502,895</u>
<b>EQUITY</b>	<u>1,370,740,074</u>	<u>1,391,407,257</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>P 1,377,436,135</u></b>	<b><u>P 1,448,910,152</u></b>

**EXHIBIT 2**

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Unaudited March 31, 2020	Unaudited March 31, 2019
<b>REVENUES</b>		
Management fees	-	P 123,003,655
Rental income	-	10,151,929
Service income	-	5,036,493
Finance and other income	<u>1,481,659</u>	<u>5,127,635</u>
	<u>1,481,659</u>	<u>143,319,712</u>
<b>COSTS AND EXPENSES</b>		
Cost of services	-	85,077,148
Operating expenses	23,377,298	39,392,327
Finance costs	-	1,562,161
Tax expense	<u>296,332</u>	<u>5,493,669</u>
	<u>23,673,630</u>	<u>131,525,305</u>
<b>OTHER INCOME</b>		
Equity in net earnings of an associate	<u>1,524,788</u>	<u>-</u>
<b>NET PROFIT (LOSS)</b>	<b>( P <u>20,667,183</u> )</b>	<b>P <u>11,794,407</u></b>
<b>Earnings (Loss) Per Share –</b>		
<b>Basic and Diluted</b>	<b>( P <u>0.0029</u> )</b>	<b>P <u>0.0052</u></b>

**EXHIBIT 3**

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Unaudited March 31, 2020	Unaudited March 31, 2019
<b>CAPITAL STOCK</b> - P1 par value		
Authorized - 23 billion shares	3,312,500,000	2,062,500,000
<b>REVALUATION RESERVE</b>	460,033	49,048,367
<b>DEFICIT</b>		
Balance at beginning of the period	( 1,921,552,776 )	( 1,646,129,296 )
Net profit (loss) for the period	( <u>20,667,183</u> )	<u>11,794,407</u>
Balance at end of the period	( <u>1,942,219,959</u> )	( <u>1,634,334,889</u> )
<b>TOTAL EQUITY</b>	<u>1,370,740,074</u>	<u>477,213,478</u>

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Unaudited March 31, 2020	Unaudited March 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before tax	( 20,370,851 )	17,288,076
Adjustments for:		
Depreciation and amortization	29,702	4,731,361
Finance income	( 1,481,659 )	( 5,091,768 )
Equity in net earnings of associate	( 1,524,788 )	-
Finance costs	-	1,562,161
Operating profit before working capital changes	( 23,347,596 )	18,489,830
Increase in trade and other receivables	-	( 9,858,545 )
Decrease in due from related parties - net	-	402,284
Decrease (increase) in other current assets - net	( 464,621 )	73,747,440
Increase (decrease) in trade and other payables	( 52,162,202 )	7,929,506
Increase in retirement benefit obligation	-	4,657,083
Cash generated from (used in) operations	( 75,974,419 )	95,367,598
Interest received	1,502,315	5,116,897
Cash paid for taxes	( 296,332 )	( 773,796 )
Net Cash From (Used in) Operating Activities	( 74,768,436 )	99,710,699
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	( 1,019,507,006 )	( 601,790 )
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	1,355,368	( 45,302 )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	( 1,092,920,074 )	99,063,607
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT BEGINNING OF THE PERIOD</b>	1,278,214,939	256,844,016
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	185,294,865	355,907,623

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of Fortune Noble Limited)*  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**  
**(UNAUDITED)**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION**

***1.1 Company Background***

Suntrust Home Developers, Inc. (Parent Company or Suntrust) was incorporated in the Philippines on January 18, 1956 (extended for another 50 years starting January 18, 2006) to primarily engage in real estate development. The Parent Company is a publicly listed entity in the Philippines. On October 25, 2019 and December 17, 2019, respectively, the Board of Directors (BOD) and stockholders approved the amendment of the Company's primary and secondary purposes, as presented in the Articles of Incorporation, to allow the Company to focus on tourism-related businesses. This change was subsequently approved by the Philippine Securities and Exchange Commission (SEC) on June 17, 2020.

Megaworld Corporation (Megaworld), also a publicly listed company in the Philippines, used to be the Parent Company's major stockholder with 42% direct ownership interest in the Parent Company until the acquisition by Fortune Noble Limited (Fortune) in 2019 of an aggregate of 1,147,500,000 shares of the Parent Company representing 51% interest over the latter. Accordingly, Fortune became the parent company of Suntrust. Fortune is incorporated in the British Virgin Islands and is a subsidiary of Suncity Group Holdings Limited (the intermediate parent company), a publicly listed company in Hong Kong. Suncity and its subsidiaries are currently engaged in the development of residential and commercial properties as well as leasing of commercial properties, providing hotel and integrated resort management and consultancy service and travel agency. The ultimate parent company is Fame Select Limited (Fame), a private company incorporated in the British Virgin Islands and is primarily engaged in investment holding.

On September 23, 2014 and November 18, 2014, the Parent Company's BOD and stockholders, respectively, approved an increase in the authorized capital stock of the Parent Company from 3,000,000,000 common shares with par value of P1.00 per share to 23,000,000,000 common shares with par value of P1.00 per share. This was subsequently ratified by the Parent Company's BOD and stockholders on October 25, 2019 and October 29, 2019, respectively, and was approved by the SEC on December 20, 2019. Subsequent to the approval, the amount of P1.25 billion received in October 2019 was applied as partial payment for the subscription of 5,000,000,000 shares. On May 6, 2020 and June 16, 2020, the Parent Company received US\$4.0 million (P200.8 million) and US\$46.0 million (P2,286.2 million), respectively, from Fortune as partial payment for the latter's subscription over the capital stock of the Parent Company.

On January 8, 2018 and May 26, 2018, the SEC and Bureau of Internal Revenue, respectively, approved the change in the Parent Company's registered office address and principal place of business from 6th Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City to 26th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City.

The registered office and principal place of business of Fortune is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands. Suncity's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is at Unit 1705, 17/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. Fame's registered office and principal place of business is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands.

The Parent Company's administrative functions are being handled by Megaworld at no cost to the Parent Company.

### ***1.2 Incorporation of New Subsidiaries***

On January 20, 2020, the Parent Company established SWC Project Management Limited, a new wholly owned subsidiary in Hong Kong. In addition, on February 17, 2020, the Parent Company also established WC Project Management Limited, also a new wholly owned subsidiary, in Macau. Both subsidiaries are engaged in provision of project management services.

### ***1.3 Deconsolidation of a Subsidiary***

The Parent Company previously held 100.00% ownership interest in First Oceanic Property Management, Inc. (FOPMI), a domestic corporation engaged primarily in the management of real estate properties. On November 28, 2019, FOPMI received cash from another investor representing deposit for stock subscription. Subsequent to the SEC's approval of FOPMI's application for increase in authorized capital stock, the related shares were issued on December 10, 2019, which resulted into the dilution of the Parent Company's ownership interest over FOPMI to 24.27% and loss of control. Subsequently, the Parent Company no longer consider FOPMI as a subsidiary but treats the latter as an associate since the Parent Company retains significant influence.

FOPMI holds 100.00% ownership interest over Citylink, a domestic company primarily engaged in providing transportation services. FOPMI and Citylink were incorporated and have their principal place of business in the Philippines

## **2. BASIS OF PREPARATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

### ***2.1 Basis of Preparation of Interim Condensed Consolidated Financial Statements***

These interim condensed consolidated financial statements for the three months ended March 31, 2020 and 2019 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. They do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2019.



The preparation of interim condensed consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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

## ***2.2 Adoption of New and Amended PFRS***

A number of new or amended standards became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

In preparing the interim condensed consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements as of and for the year ended December 31, 2019.

### **4. SEGMENT REPORTING**

#### ***4.1 Business Segments***

The Group's operating businesses are organized and managed separately according to the services provided, with each segment represent unit that offers different services and serves different markets. For management purposes, the Group is organized into two major business segments as discussed below. These are also the basis of the Group in reporting to its strategic steering committee for its strategic decision-making activities.

- a)* Property Management – is the operation, control of (usually on behalf of an owner) and oversight of commercial, industrial or residential real estate as used in its most broad terms. Management indicates a need to be cared for, monitored and accountability given for its usable life and condition.
- b)* Rental and Others – consists of rental from leasing activity of Parent Company and transportation services of Citylink.

The segment results also include the equity share in net earnings of an associate operating in the same industry.

#### 4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, net of allowances and due from related parties - net. Segment liabilities include all operating liabilities and consist principally of trade and other payables and due to related parties.

The business segment information of the Group as of and for the period ended March 31, 2020 and 2019 are as follows:

##### March 31, 2020

	<u>Property Management</u>	<u>Rental and Others</u>	<u>Total</u>
Revenue:			
Finance and other income	P -	P 1,481,659	P 1,481,659
Gross revenues	-	1,481,659	1,481,659
Expenses	-	23,377,298	23,377,298
Equity in net earnings (losses) of an associate	2,430,078	( 905,290)	1,524,788
Finance costs	-	-	-
Income (loss) before tax	2,430,078	( 22,800,929)	( 20,370,851)
Tax expense	-	296,332	296,332
<b>Net income (loss)</b>	<b><u>P 2,430,078</u></b>	<b><u>(P 23,097,261)</u></b>	<b><u>(P 20,667,183)</u></b>
<b>Segment assets</b>	<b><u>P 143,999,994</u></b>	<b><u>P 1,233,436,141</u></b>	<b><u>P 1,377,436,135</u></b>
<b>Segment liabilities</b>	<b><u>P -</u></b>	<b><u>P 6,696,061</u></b>	<b><u>P 6,696,061</u></b>

##### March 31, 2019

	<u>Property Management</u>	<u>Rental and Others</u>	<u>Total</u>
Revenues:			
Management fees	P 123,003,655	P -	P 123,003,655
Rental income	-	10,151,929	10,151,929
Service income	-	5,036,493	5,036,493
Finance and other income	4,009,994	1,117,641	5,127,635
Gross revenues	127,013,649	16,306,063	143,319,712
Expenses	109,961,703	14,507,772	124,469,475
Finance costs	1,342,917	219,244	1,562,161
Profit before tax	15,709,029	1,579,047	17,288,076
Tax expense	5,266,002	227,667	5,493,669
<b>Net profit</b>	<b><u>P 10,443,027</u></b>	<b><u>P 1,351,380</u></b>	<b><u>P 11,794,407</u></b>
<b>Segment assets</b>	<b><u>P 623,567,575</u></b>	<b><u>P 168,039,903</u></b>	<b><u>P 791,607,478</u></b>
<b>Segment liabilities</b>	<b><u>P 244,749,409</u></b>	<b><u>P 69,644,591</u></b>	<b><u>P 314,394,000</u></b>

## 5. EARNINGS (LOSS) PER SHARE

Earnings (Loss) per share amounts were computed as follows:

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Net profit (loss)	(P 20,667,183)	P 11,794,407
Divided by the weighted average number of outstanding shares	<u>7,250,000,000</u>	<u>2,250,000,000</u>
Basic and diluted EPS	<u>(P 0.0029)</u>	<u>P 0.0052</u>

The Group has no potentially dilutive shares as of the end of each reporting period.

## 6. EQUITY

The details of this account as of March 31, 2020 and 2019 are as follows:

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Capital stock	P 3,312,500,000	P 2,062,500,000
Revaluation reserves	460,033	49,048,367
Deficit	<u>(1,942,219,959)</u>	<u>(1,634,334,889)</u>
	<u>P 1,370,740,074</u>	<u>P 477,213,478</u>

## 7. COMMITMENTS AND CONTINGENCIES

### *7.1. Co-Development and Lease Agreement with a Related Party Under Common Ownership*

In 2019, the Parent Company entered into a Co-Development Agreement with a related party under common ownership, with respect to the development of a hotel and casino. Under this agreement, the Parent Company is to raise funds of not less than US\$300.0 million within 5 months, US\$200.0 million of which is payment for the initial cost of the project. On March 28, 2020 and June 15, 2020, this was further extended by the parties to July 31, 2020 and September 30, 2020, respectively.

On January 20, 2020, the Parent Company entered into a supplemental agreement with the related party that includes the payment of a refundable deposit amounting to US\$20.0 million on or before January 31, 2020 and the balance of the initial cost of the project to be paid within 10 days from the date on which all the conditions precedent under the Co-Development Agreement are fulfilled. As of the date of the release of the interim condensed consolidated financial statements, the payments of the refundable deposit amounting to US\$20.0 million (P1.0 billion) and further refundable deposit amounting to US\$46.0 have been complied with.

On February 21, 2020 and in relation to the Co-Development Agreement, the Parent Company entered into a lease agreement with related party over three parcels of land. The lease agreement provides from an original term of until August 19, 2039 and is renewable automatically for another 25 years subject to applicable laws and upon agreement by both parties. The related annual rental is set at US\$10.6 million.

## **7.2. Construction contracts for construction of Main Hotel Casino under the co-development project**

In relation to the construction of Main Hotel Casino under the co-development project, the Group has contracted but not provided for commitment of approximately P525.7 million as at March 31, 2020.

## **7.3. Others**

The Group has other commitments and contingencies that may arise in the normal course of the Group's operations which have not been reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these other commitments will not have material effects on the Group's consolidated financial statements.

# **8. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's risk management is coordinated with the BOD and focuses on actively securing the Group's short-to medium-term cash flows by minimizing the exposure to financial markets.

Exposure to foreign currency interest rate, credit and liquidity risk arise in the ordinary course of the Group's business activities. The main objective of the Group's risk management is to identify, monitor, and minimize those risks and to provide cost with a degree of certainty.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks to which the Group is exposed to are described below.

## **8.1 Foreign Currency Risk**

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency-denominated Deposit, which is primarily denominated in U.S. dollar (USD).

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial asset translated into Philippine pesos at the closing rate, are as follows:

	<u>March 31, 2020</u>	
	<u>USD</u>	<u>PHP Equivalent</u>
Financial Asset	<u>20,000,000</u>	<u>1,018,840,000</u>

If the Philippine peso had strengthened by 5% against the USD, with all other variables held constant, consolidated net loss would have increased by P50.94 million for the three months ended March 31, 2020.

However, if the Philippine peso had weakened against the U.S. dollar by the same percentages, consolidated net profit (loss) would have changed at the opposite direction by the same amounts.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis in the preceding page is considered to be representative of the Group's foreign currency risk.

The Group's exposure to foreign currency risk as at 31 December 2019 was not significant.

## ***8.2 Interest Rate Risk***

As at March 31, 2020 and December 31, 2019, the Group is exposed to changes in market interest rates through its cash and cash equivalents which are subject to variable interest rates.

## ***8.3 Credit Risk***

Credit risk is the risk that a counterpart may fail to discharge an obligation to the Group. The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the consolidated statements of financial position under cash and cash equivalents, trade and other receivables, due from related parties and security and refundable deposits.

None of the Group's financial assets are secured by collateral or other credit enhancements except for the cash and cash equivalents as described below.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

## ***8.4 Liquidity Risk***

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six months and one year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

# **9. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES**

## ***9.1 Carrying Amounts and Fair Values by Category***

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>				
Financial assets at amortized cost:				
Cash and cash equivalents	P 185,294,865	P 185,294,865	P 1,278,214,939	P 1,278,214,939
Due from related parties – net	27,382,014	27,382,014	27,382,014	27,382,014
Trade and other receivables-net	54,940	54,940	75,596	75,596
Deposit	1,018,840,000	1,018,840,000	-	-
	<u>P 1,231,571,819</u>	<u>P 1,231,571,819</u>	<u>P 1,305,672,549</u>	<u>P 1,305,672,549</u>
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Trade and other payables	P 5,336,321	P 5,336,321	P 2,491,055	P 2,491,055
Due to related parties	1,355,368	1,355,368	-	-
	<u>P 6,691,689</u>	<u>P 6,691,689</u>	<u>P 2,491,055</u>	<u>P 2,491,055</u>

## 9.2 Fair Value Hierarchy

In accordance with PFRS 13, Fair Value Measurement, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- a.) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- b.) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- c.) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

## 10. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders in the future.

The Group also monitors capital on the basis of the carrying amount of equity as presented on the consolidated statements of financial position. It sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

## **11. EVENTS AFTER THE END OF REPORTING PERIOD**

### ***11.1 Transactions and Agreements with a Related Party under Common Ownership***

Subsequent to the end of the reporting period, the Parent Company entered into various transactions and agreements with a related party under common ownership related to its Co-Development Agreement with the latter (see Note 7.1).

In relation to this, on May 4, 2020, the Parent Company entered into an Operations and Management Agreement with the same related party for the operation and management of the Main Hotel Casino covered in the co-development project. The agreement has a term of until July 11, 2033.

On May 29, 2020, Suntrust and Fortune entered into a subscription agreement, where Fortune agreed to subscribe, and Suntrust agreed to issue, P7.3 billion zero coupon convertible bonds upon completion of certain conditions precedent.

On June 1, 2020, Suntrust and Summit Ascent Investments Limited (“Summit”), which is 24.74% indirectly owned by Suncity, entered into a subscription agreement, where Summit agreed to subscribe, and Suntrust agreed to issue P5.6 billion 6% coupon convertible bonds upon completion of certain conditions precedent.

### ***11.2 COVID-19 Outbreak***

Subsequent to the end of the reporting period, the Company and other Philippine businesses have been significantly exposed to the risks brought about by the outbreak of the new coronavirus disease, COVID-19. As of the date of the issuance of the Company’s financial statements, the financial impact of COVID-19 on the Company’s financial statements is not yet reliably determinable as the current COVID-19 situation rapidly develops while the Company remains in its current financial condition and status of operations.

**MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

**RESULTS OF OPERATIONS**

*Review of March 31, 2020 versus March 31, 2019*

In December 2019, a new investor infused capital to First Oceanic Property Management, Inc. (FOPMI) which diluted the ownership of the Company to 24.27%. The Company lost its control over FOPMI, which remained as the Company's affiliate. Consequently, the Company recognized the investment in FOPMI as an investment in associate which resulted in deconsolidation of FOPMI from its financial statements in 2019.

Moreover, on January 20, 2020, the Parent Company established SWC Project Management Limited, a new wholly owned subsidiary in Hong Kong. In addition, on February 17, 2020, the Parent Company also established WC Project Management Limited, also a new wholly owned subsidiary, in Macau. Both subsidiaries are engaged in provision of project management services.

Below are the major changes on the company's results of operation due to the above transactions.

The Group's total revenues exhibited a decrease of Php140.31 million or 97.90% from Php143.32 million in 2019 to Php3.01 million in 2020 of the same period.

Costs and expenses exhibited a decrease of Php107.85 million or 82.00% from Php131.53 million in 2019 to Php23.67 million in 2020.

The Group's incurred a net loss in 2020 amounting to Php20.67 million from the previous year's net profit of Php11.79 million or Php32.46 million decrease.

**FINANCIAL CONDITION**

*As of March 31, 2020 and December 31, 2019*

The Group's total resources amounted to Php1,377.44 million in 2020 from Php1,448.91 million in 2019. The Group manages its liquidity needs by carefully monitoring scheduled payments for financial liabilities as well as its cash outflows due in a day-to-day business.

Current assets decreased by Php1,092.48 million or 83.54% from Php1,307.77 million in 2019 to Php215.29 million in 2019. Cash and cash equivalents decreased by Php1,092.92 million or 85.50% from Php1,278.21 million in 2019 to Php185.29 million in 2020. Other current assets increased by Php0.46 million or 22.20% from Php2.09 million in 2019 to Php2.56 million in 2020.



Non-current assets increased by Php1,021.00 million or 723.37% from Php141.14 million in 2019 to Php1,162.15 million in 2020. Investment in an associate increased by Php1.52 million or 1.08% from Php141.14 million in 2019 to Php142.67 million in 2020. Property and equipment increased to Php0.64 million or 100.00% in 2020 from nil in 2019.

Current liabilities decreased by Php50.81 million or 88.36% from Php57.50 million in 2019 to Php6.70 million in 2020. Trade and other payables exhibited a decrease of Php52.16 million or 90.71% from Php57.50 million in 2019 to Php5.34 million in 2020. Due to related parties increased to Php1.36 million or 100.00% in 2020 from nil in 2019.

Equity decreased by Php20.67 million or 1.49% from Php1,391.41 million in 2019 to Php1,370.74 million in 2020.

**Material Changes in the Financial Statements Items:  
*Increase/Decrease of 5% or more versus December 31, 2019***

**Statements of Financial Position**

*85.50% decrease in cash and cash equivalents*

Due to payment of the refundable deposit pursuant to Co-Development Agreement (See Exhibit 5 Note 7.1)

*27.32% decrease in trade and other receivables*

This represents accrued interest receivable on temporary investments

*22.20% increase in other current assets*

Due to increase in prepaid expenses

*100.00% increase in deposit*

Due to payment of the deposit pursuant to Co-Development Agreement (See Exhibit 5 Note 7.1)

*100.00% increase in property and equipment*

Due to the acquisition of fixed assets by the subsidiaries established during the period ended March 31, 2020.

*90.71% decrease in trade and other payables*

Mainly due to payment of accrued documentary stamp tax of Parent Company

*100.00% increase in due to related parties*

This represents unsecured and non-interest bearing advances from related party for working capital purposes

## ***Increase/Decrease of 5% or more versus March 31, 2019***

### **Statements of Income**

As discussed in review of operations, the Company no longer consider FOPMI as a subsidiary but treats the latter as an associate and resulted to major decreases in accounts in its consolidated statements of income. The consolidated statement of income for the period ended March 31, 2020 pertains solely to the balance of the Company and its new incorporated subsidiaries.

### **KEY PERFORMANCE INDICATORS**

Presented below are the top five (5) key performance indicators of the Group:

	March 31, 2020	December 31, 2019
Current Ratio *1	32.15 : 1.00	22.74 : 1.00
Quick Ratio *2	31.77 : 1.00	22.71 : 1.00
Debt to Equity Ratio *3	0.005: 1.00	0.04 : 1.00
		March 31, 2019
Return on Assets *4	-1.46%	1.52%
Return on Equity *5	-1.50%	2.50%

*\*1 – Current Assets / Current Liabilities*

*\*2 – Cash and Cash Equivalents and Short-term Investments / Current Liabilities*

*\*3 – Total Liabilities / Equity*

*\*4 – Net Profit (Loss) / Average Total Assets*

*\*5 – Net Profit (Loss) / Average Equity*

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

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way.

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

The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. The Group has no material commitments for capital expenditures.

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

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There are no other material issuances, repurchases or repayments of debt and equity securities.

There are no seasonal aspects that had a material effect on the financial condition or results of operations of the group.

There are no material events subsequent to the end of the period that have not been reflected in the financial statements for the period.

There are no changes in estimates of amount reported in periods of the current financial year or changes in estimates of amounts reported in prior financial years.

SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES  
*(A Subsidiary of Fortune Noble Limited)*  
 Aging of Accounts Receivable  
 March 31, 2020

EXHIBIT 7

Type of Receivables	Total	Current/ Not Yet Due	1-3 Months	4-6 Months	7 Months to 1 Year	1-2 Years	Past Due Accounts and Items in Litigation
Trade and Other Receivables	<u>54,940</u>	<u>54,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES

(A Subsidiary of Fortune Noble Limited)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

March 31, 2020 and December 31, 2019

EXHIBIT 8

Ratio	Formula	March 31, 2020	December 31, 2019
Current ratio	Current assets / Current liabilities	32.15	22.74
Acid test ratio	Quick assets / Current liabilities (Quick assets include current assets less other current assets)	31.77	22.71
Solvency ratio	Total liabilities / Total assets	0.005	0.04
Debt-to-equity ratio	Total liabilities / Total stockholders' equity	0.005	0.04
Asset-to-equity ratio	Total assets / Total stockholders' equity	1.00	1.04
Interest rate coverage ratio	EBIT / Total interest	-	-65.75
Return on equity	Net loss / Average total equity	-0.01	-0.34
Return on assets	Net loss / Average total assets	-0.01	-0.28
Net profit margin	Net loss / Total revenues	-6.87	-0.54