alphaland
CORPORATION

July 9, 2019

Securities and Exchange Commission
(Markets and Securities Regulations Department)
Ground Floor, North Wing Hall,
Secretariat Building, PICC Complex,
Vicente Sotto Street, 1307 Pasay City

Attention : **HON. VICENTE GRACIANO P. FELIZMENIO, JR**
Director

Gentlemen:

We refer to the Honorable Commission's letter dated 08 July 2020 which was received on even date informing Alphaland Corporation (the "Company") that the Company's Preliminary Information Statement (PIS) is not compliant with SRC Rule 20 and SRC Rule 68.1 as amended, hence, directing the Company to submit its Definitive Information Statement (DIS) in accordance with the stated findings of the Honorable Commission thereof.

In compliance with said directive, we respectfully submit the enclosed DIS and Management Report and all their attachments incorporating the needed revisions together with the Company's Response, for easy reference by this Honorable Commission, to each of the matters covered by its aforesaid findings.

With the foregoing, may we respectfully request your good office to issue the clearance needed for the Company to distribute its DIS to its shareholders.

We trust that you will find the foregoing in order and issue a favorable action on our request.

Very truly yours,

Jason J. Alba
Corporate Secretary

Encls: a/s

Alphaland Makati Place
7232 Ayala Ave. Ext., cor. Malugay St., 1209 Makati City, Philippines
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Alphaland Corporation
Comment and Response Sheet

SEC Form 20-IS (Checklist of Requirements)	SEC Comments/Findings	Page	ALPHA Response
MANAGEMENT REPORT			
Consolidated Audited Financial Statements and Interim Financial Statements (Revised SRC Rule 68)			
Statement of Management Responsibility on the Financial Statements	Not submitted		Complied – attached
(i)There shall be consolidated Audited Financial Statements of Financial Position (except if not applicable), in comparative format, as of the end of each of the two (2) most recently completed fiscal years. **If the meeting date is beyond one hundred thirty five (135) days from the company's fiscal year end, a separate Interim Unaudited Statement of Financial Position as of the end of the most recent quarter** with comparative figures as of the end of the proceeding fiscal year shall likewise be filed	Not submitted	56-60	Complied - Already submitted were Audited Statements of Financial Position as of Dec 31, 2019 with comparative figures in 2018; and as of Dec 31, 2018 with comparative figures in 2017. Additional submission herewith is the Unaudited Interim Statements of Financial Position as of June 30, 2020 with comparative figures in same period of 2019.
(ii)The Statement of Comprehensive Income Statement of Cash Flows and Statement of Changes in Equity shall be in comparative format for the three (3) most recently completed fiscal year or such shorted period as the company has been in existence. If the meeting date is beyond one hundred thirty-five (135) days from the company's fiscal year end, **separate Interim unaudited statements for the most recent quarter** with comparative figures for period ending of the same quarter of the preceding year shall likewise be filed.	Not submitted.	56-60	Complied - Already submitted were Audited Statements of Comprehensive Income, for the year ended December 31, 2019 with comparative figures in 2018; and as of Dec 31, 2018 with comparative figures in 2017. Additional submission herewith are the Unaudited Interim Statements of (a) Comprehensive Income for the quarter ended, and six months ended June 30, 2020 with comparative figures in same period of 2019; (b) Changes in Equity and Statements of Cash Flows for the six months period ended June 30, 2020 with comparative figures in same period of 2019.
Management's Discussion and Analysis (MD&A)			
1. Discussion of the Registrant's			

Financial Condition, Changes in Financial Condition and Results of Operations for each of the last 3 fiscal years			
2. If FS shows losses from operation, explain the causes underlying these losses and the steps the registrant has taken or is taking to address these cause.			
3. Past and future financial condition and results of operation, with particular emphasis on the prospects for the future.	Incomplete. Include 2nd quarter ended June 30, 2020		Unaudited financial condition and results of operation for the 2nd quarter ended June 30, 2020 are added to the report
4. Key Variable and other quantitative factors.			
If material:			
(i)Any known trends, events or uncertainties (Material Impact on Liquidity)	Disclosed, if any	41	Complied – Already disclosed in MD & A, item C(2).
(ii)Events that will trigger direct or contingent financial obligation that is material to the company, including any default or accreditation of an obligation.		41-43	Complied - Already disclosed in MD & A, item C(2).
(iii)All material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.		41	Complied - Already disclosed in MD & A, item C(2).
(iv)Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.		41	Complied - Already disclosed in MD & A, item C(2).
(v)Any known trends, events or uncertainties (Material Impact on Sales)		41	Complied - Already disclosed in MD & A, item C(2).
(vi)Any significant elements of Income or Loss (from continuing operations)		30-35, 41	Complied - Already disclosed in MD & A, item C(2).
(vii)Causes for any Material Changes from Period to period of FS which shall include vertical and horizontal analyses of any material item (5%)		30-35, 41	Complied - Already disclosed in MD & A, item C(2).
The term "material" in this section shall refer to changes or items amounting to at least five percent			

(5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.			
(viii)Seasonal Aspects that has Material Effect on the FS		41	Complied - Already disclosed in MD & A, item C(2).

(b) Interim Periods: Comparable discussion to assess material changes (last fiscal year and comparable interim period in the preceding year). ***Disclose the required information under subparagraph (2)(a)(1) to (viii) above.***

Alpha Response - ***Complied*** - Already disclosed in MD & A, item C(2).

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the Appropriate box
   [ ] Preliminary Information Statement
   [x] Definitive Information Statement

2. Name of Registrant as specified in its charter
   ALPHALAND CORPORATION

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

4. SEC Identification Number **183835**

5. BIR Tax Identification Number **001-746-612**

6. Address of Principal Office **Alphaland Makati Place, 7232 Ayala Avenue corner Malugay Street, 1209 Makati City , Philippines**

7. Registrant's telephone number, including area code
   +63 2 3372031

8. Date, time and place of meeting of security holders
   Date **July 30, 2020**
   Time **4 o'clock PM**
   Place **via remote communication**

9. Approximate date on which the Information Statement is first to be sent or given to security holders
   July 9, 2020

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

Number of Common Stock Outstanding	Amount of Debt Outstanding As Of December 31, 2019
28,407,499,420	**Nil**

11. Are any or all of the registrant's securities listed on a Stock Exchange?
    Yes No ✓
12. If yes, disclose the name of such Stock Exchange and the class of securities listed therein: n/a

We are not asking you for a proxy and you are requested not to send us a proxy.

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Stockholders

Date : July 30, 2020
Time : 4 o'clock PM
Place : via remote communication

Mailing Address of the Company

The complete mailing address of Alphaland Corporation (hereinafter, "ALPHA", the "Company" or the "Corporation") is:

ALPHALAND CORPORATION
Alphaland Makati Place
7232 Ayala Avenue corner Malugay Street
1209 Bel-Air, Makati City
Philippines

Record Date

The record date for the purpose of determining the stockholders entitled to notice of, and to vote at, the Annual Meeting of the Stockholders is July 16, 2020 (the "Record Date").

Approximate Date of First Release of Information Statement

The approximate date on which this Information Statement will be first sent out to the stockholders of the Company is on July 9, 2020.

Item 2. Dissenter's Right of Appraisal

There are no matters or proposed actions as specified in the attached Notice of Annual Meeting that may give rise to a possible exercise by shareholders of their appraisal rights or similar rights as provided in Title X of the Revised Corporation Code of the Philippines.

Pursuant to Section 80 of the Revised Corporation Code, shareholders of the Company may exercise their right of appraisal in the following instances:

(i) in case amendment of the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
(ii) sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets, as provided in the Revised Corporation Code;
(iii) merger or consolidation;
(iv) extension or limitation of corporate term;
(v) investment of corporate funds for any purpose other than the primary purpose of the corporation;

Each share of stock is entitled to one vote during stockholders' meetings. However, at all elections of directors, every stockholder entitled to vote may vote such number of stocks for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.

The election of directors may only be held at a meeting convened for that purpose at which stockholders representing a majority of the outstanding capital stock are present in person or by proxy. However, any vacancy in the board, other than by removal or expiration of term, may be filled by the majority of the remaining directors if still constituting a quorum.

Pursuant to Section 81 of the Revised Corporation Code, a shareholder who shall have voted against any proposed action may exercise his appraisal right by making a written demand on the Company within thirty (30) days after the date of the shareholders' meeting where the vote was taken. Failure to make the demand within the prescribed period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the Company shall pay the dissenting stockholder upon surrender of the stock certificate/s representing his shareholdings in the Company based on the fair value thereof as of the day prior to the date of the shareholders' meeting where the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate actions, provided that no payment shall be made to the dissenting shareholder unless the Company has unrestricted retained earnings to cause such payment.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the shareholder, another by the Corporation and the third by the two thus chosen. The findings of the majority of the appraiser shall be final and their award shall be paid by the Company within thirty (30) days after such award is made.

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

There is no matter to be acted upon in which any director or executive officer is involved or had a direct, indirect or substantial interest (except the election of directors).

No director has informed the registrant, in writing or otherwise, that he intends to oppose any action to be taken by the registrant at the Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) **Total Number of Shares Outstanding as of April 30, 2020**: 28,407,499,410 common shares (exclusive of 4,239,000 common shares in treasury)[1]

Number of Votes per Share: One (1) vote per share.

(b) **Record Date**: All stockholders of record as of the close of business on July 16, 2020 are entitled to notice of, and to vote at, the Annual Meeting.

Security Ownership of Certain Record and Beneficial Owners – as of April 30, 2020

There are no delinquent stocks and following is the direct and indirect record of beneficial owners of more than five percent (5%) of common shares of the Company:

Title of Class	*Name and Address of Record Owner and relationship with Issuer*	*Name of Beneficial Owner and relationship with Record Owner*	*Citizenship*	*No. of Shares*	*% Held*
Common	Alphaland Southgate Tower, Inc. (formerly Alphaland Development, Inc.) Alphaland Makati Place, 7232 Ayala Ave. cor. Malugay St., Makati City Wholly-owned subsidiary	-	Filipino	13,792,109,780	48.55%
Common	RVO Capital Ventures Corporation Alphaland Makati Place, 7232 Ayala Avenue corner Malugay Street, Makati City Stockholder	Roberto V. Ongpin –Beneficial Owner	Filipino	8,426,567,460	29.66%
Common	Boerstar Corporation Alphaland Makati	Roberto V. Ongpin – Beneficial Owner	Filipino	1,677,884,300	5.91%

[1] On December 10, 2018, the Securities and Exchange Commission approved the Amended Articles of Incorporation of the Company, amending Article VII thereof by reducing the par value from PhP1 per share to PhP0.10 per share.

	Place, 7232 Ayala Ave. cor. Malugay St., Makati City				

Except as stated above, the BOD and Management of the Company have no knowledge of any person who, as at April 30, 2020, was indirectly or directly the beneficial owner of more than five percent (5%) of the Company's outstanding shares of common stock or who has voting power or investment power with respect to shares comprising more than five percent of the outstanding shares of common stock. There are no persons holding more than 5% of the Company's common stocks that are under a voting trust or similar agreement.

Security Ownership of Management

The following are the number of shares of common stock owned of record and beneficially by the directors and executive officers of the Company and the percentage of shareholdings of each, as at April 30, 2020:

Title of Class	*Name of Beneficial Owner*	*Amount and Nature of Beneficial Ownership*		*Citizenship*	*Percent*
Common	Roberto V. Ongpin	Direct	10	Filipino	nil
Common		Indirect	10,571,544,535		37.21%
Common	Eric O. Recto	Direct	10	Filipino	Nil
Common	Dennis O. Valdes	Direct	1,000	Filipino	Nil
Common	Anna Bettina Ongpin	Direct	1,000	Filipino	Nil
Common	Mario A. Oreta	Direct	10	Filipino	Nil
Common		Indirect	164,000,000		0.62%
Common	Lorenzo V. Tan	Direct	10	Filipino	Nil
Common	Margarito B. Teves	Direct	1,000	Filipino	Nil
Common	Jaime G. Bautista	Direct	10	Filipino	Nil
Common	Juan Edgardo M. Angara	Direct	10	Filipino	Nil
Common	Florentino M. Herrera III	Direct	10	Filipino	Nil
Common	Francisco Ed. Lim	Direct	10	Filipino	Nil
Common	Gilberto Eduardo Gerardo C. Teodoro, Jr.	Direct	10	Filipino	Nil
Common	Dennis A. Uy	Direct	10	Filipino	Nil
Common	Jose Ramon T. Villarin	Direct	10	Filipino	Nil
Common	Gregorio T. Yu	Direct	10	Filipino	Nil
Common	Michael Angelo Patrick M. Asperin	Direct	1,000	Filipino	Nil

Except as disclosed above, the Company has not received from any of the directors or executive officers of the Company any statement of ownership, whether of record or beneficially, of more than five percent (5%) of the Company's outstanding shares of common stock. As known by the Company, the aggregate number of common shares owned directly and indirectly by all key officers and directors as a group as at April 30, 2020 was 10,549,082,210 common shares.

Changes in Control

There are no voting trust agreements or any other similar agreement that may result in a change in control of the Company of which the Company has any knowledge. No change in control of the Company has occurred since the beginning of its last fiscal year.

Item 5. Directors and Executive Officers

Pursuant to the Company's By-Laws, the directors are elected at each annual meeting of stockholders by stockholders entitled to vote. Each director is elected for a term of one (1) year or until his successor is duly elected and qualified, unless he resigns, dies or is removed prior to such election.

The following individuals have been nominated to the BOD for the ensuing year:

1. Roberto V. Ongpin (incumbent)
2. Eric O. Recto (incumbent)
3. Lorenzo V. Tan (incumbent)
4. Dennis A. Uy (incumbent)
5. Francisco Ed. Lim (incumbent)
6. Juan Edgardo M. Angara (incumbent)
7. Mario A. Oreta (incumbent)
8. Dennis O. Valdes (incumbent)
9. Anna Bettina Ongpin (incumbent)
10. Jaime G. Bautista (incumbent)
11. Margarito B. Teves – Independent (incumbent)
12. Jose Ramon T. Villarin – Independent (incumbent)
13. Florentino M. Hererra III – Independent (incumbent)
14. Gregorio T. Yu – Independent (incumbent)
15. Gilberto Eduardo Gerardo C. Teodoro, Jr. – Independent (incumbent)

The following individuals have been nominated as members of the Executive, Audit, Nominations and Compensation Committees for the ensuing year:

Executive Committee

a. Roberto V. Ongpin (Chairman)
b. Dennis O. Valdes
c. Anna Bettina Ongpin

Audit Committee

a. Margarito B. Teves (Chairman/Independent Director)
b. Mario A. Oreta
c. Dennis O. Valdes

Nominations Committee

a. Roberto V. Ongpin
b. Dennis O. Valdes
c. Gregorio Ma. Araneta IIIT. Yu (Independent)

Compensation Committee

a. Roberto V. Ongpin
b. Anna Bettina Ongpin
c. Dennis O. Valdes

The aforementioned nominees were nominated to the Nominations Committee by shareholders of the Company.

Pursuant to Section 38 of the Securities Regulation Code and Article III, Section 2 of the Corporation's By-Laws, the Corporation is required to elect at least two (2) independent directors, or such independent directors constituting at least twenty percent (20%) of the members of such board, whichever is less. Messrs. Margarito B. Teves, Jose Ramon T. Villarin, Florentino M. Hererra III, Gilberto Eduardo

Gerardo C. Teodoro, Jr. and Gregorio T. Yu were all nominated by shareholders of the Company. The nominating shareholders are not related to any of the nominees for independent directors.

A majority, if not all, of the above named nominees are expected to attend the scheduled Annual Meeting.

The executive officers have been appointed by the BOD to serve for a period of one (1) year or until their successors shall have been appointed.

Names of Directors and Executive Officers

The following are the names, ages, citizenships and periods of service of the incumbent directors (as well as that of the new nominees) and executive officers of the Company, together with a brief description of their business experience during the past five (5) years:

BOARD OF DIRECTORS

Incumbent

ROBERTO V. ONGPIN, *Chairman of the Board and Chief Executive Officer*
Mr. Ongpin, Filipino, 83 years old, was elected Director and Chairman of the Board on November 11, 2009. He is also the Chairman of Atok-Big Wedge Company, Inc. (AB) and Alphaland Balesin Island Club, Inc., and former Director of San Miguel Corporation (SMC), PAL Holdings, Inc. (PAL) and Petron Corporation (PCOR). In Hong Kong, he was the Non-Executive Director of Shangri-La Asia and was the Deputy Chairman of the South China Morning Post, both listed in the Hong Kong Stock Exchange. He was also a Non-Executive Director of Forum Energy PLC (United Kingdom). Mr. Ongpin graduated *cum laude* in Business Administration from the Ateneo de Manila University, is a Certified Public Accountant, and has an MBA from Harvard Business School.

DENNIS O. VALDES, *President*
Mr. Valdes, Filipino, 58 years old, has been a Director since 2011. He became the President of the Company effective February 1, 2020. He is also a director of Atok-Big Wedge Co., Inc. (AB). He served as President of Philweb Corporation (WEB) until January 31, 2020. His previous work experience includes 10 years with the Inquirer Group of Companies, as a Director of the newspaper, and he was also in charge of expanding their Internet, printing, and ink-making operations. Prior to that, he spent six years with The NutraSweet Company developing its businesses in Asia. He is a certified public accountant, graduated *magna cum laude* in Business Administration and Accountancy from the University of the Philippines and has an MBA degree from the Kellogg School of Management, Northwestern University.

ANNA BETTINA ONGPIN, *Vice-Chairman and Director*
Ms. Ongpin, Filipino, 55 years old, was elected Director of the Company on 19 March 2014 and served as President of the Company from May 31, 2016 to January 30, 2020. She became Vice-Chairman of the Company effective February 1, 2020. She is also a Director of Atok-Big Wedge Co., Inc. (AB), and a Director and Vice-Chairman of both Alphaland Balesin Island Club, Inc. and The City Club at Alphaland Makati Place, Inc. Ms. Ongpin has more than twenty years of communications, marketing, project management, and operations experience in the management consulting and media fields. She holds a Bachelor's Degree in Political Science from Wellesley College.

ERIC O. RECTO, *Vice Chairman and Director*
Mr. Recto, Filipino, 56 years old, is also presently the Vice-Chairman and President of Atok-Big Wedge Co., Inc. He is also the Director of ISM Communications Corporation (ISM); the Chairman of Philippine Bank of Communications (PBC); a Member of the Board of Supervisors of Acentic GmbH. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines as well as an MBA from the Johnson School, Cornell University.

LORENZO V. TAN

Mr. Tan, Filipino, 58 years old, was elected Vice Chairman and Director on June 20, 2018. He is also a director of Atok-Big Wedge Company, Inc. He is a prominent banker who served as the President and Chief Executive Officer of Rizal Commercial Banking Corporation from 2007 to 2016; President of the Bankers Association of the Philippines from 2013 to 2016; and Chairman of the Philippine Dealing System Holdings Corp. until April 8, 2016. Mr. Tan is a member of the Board of Directors of Smart Communications, Inc.; an Independent Director of Philippine Realty and Holdings Corporation (RLT) since July 13, 2016; a director of EEI Corporation (EEI) since June 16, 2017. Mr. Tan is a Certified Public Accountant in Pennsylvania, USA and in the Philippines. Mr. Tan graduated from De La Salle University, with a Bachelor of Science degree in Accounting and Commerce and holds a Master of Management degree from the J.L. Kellog Graduate School of Management in Evanston, Northwestern University.

DENNIS A. UY

Mr. Uy, Filipino, 45 years old, was elected Director on June 20, 2018. He is also the Chairman and President of Udenna Corporation; Chief Executive Officer and President of Phoenix Petroleum Philippines, Inc. (PNX) since 2002, Comstech Integration Alliance, Inc., Chelsea Shipping Corporation, Global Synergy Trade and Distribution Corporation, Udenna Development Corporation, Value Leases Inc., and Udenna Foundation, Inc.; Chairman of 2Go Group, Inc. (2GO), Chelsea Logistics Holdings Corp. (CLC), Oilink Mindanao Distribution, Mindanao Media Dynamics, Le Don Printers and Bohemian Promotions and Training Center, Phoenix Petroleum Holdings, Inc. F2 Logistics, and Phoenix Philippines Foundation, Inc. He is also an Independent Director of Apex Mining Company, Inc. (APX) and a Director of First Oriental Packaging, Señorita Farms, Aquamines Philippines, Bulbscor Minerals Corporation and Blucor Minerals Corporation. Mr. Uy is the Honorary Consul of Kazakhstan to the Philippines since November 2011. He holds a Bachelor of Science Degree in Business Management at the De La Salle University in Manila.

FRANCISCO ED. LIM

Atty. Lim, Filipino, 64 years old, was elected Director on June 20, 2018 and is presently the Senior Partner and a member of the Executive and Special Committees of the Angara Abello Concepcion Regala & Cruz Law Offices (ACCRALAW). He served as President and Chief Executive Officer of the Philippine Stock Exchange, Inc. from September 16, 2004 to February 10, 2010. He is the incumbent president of the Shareholders' Association of the Philippines (SharePHIL). He is also a trustee of the CIBI Foundation, Inc. and the Judicial Reform Initiative, Inc. and a Fellow of the Institute of Corporate Directors. He is also a member of the American Bar Association, FINEX Research Foundation, Inc., International Insolvency Institute ("III"), Advisory Committee for the Asian Principles of Business Restructuring Project of the III and the Asian Business Law Institute. Atty. Lim is a columnist of The Philippine Daily Inquirer and a law professor in the Ateneo de Manila University, San Beda Graduate School of Law and a professorial lecturer and the Vice-Chair of the Commercial Law Department of the Philippine Judicial Academy. He is a director of several public companies, among which are the Union Bank of the Philippines, Energy Development Corporation, The Insular Life Assurance Co., Ltd., and Producers Savings Bank Corporation. He is also director of private corporations like the Financial Executives Institute of the Philippines and Camerton Holdings. He is a member of both the Philippine Bar and the New York State Bar.

JUAN EDGARDO M. ANGARA

Mr. Angara, Filipino, 47 years old, was elected Director on June 20, 2018. He was elected to the Senate of the Philippines in 2013 where he placed 6th. He worked as a trainee at the Metopolitan Bank and Trust Company in 1991, as news reporter for The Philippine Star in 1992. He served as an apprentice and member of the delegation in the Philippine Mission to the United Nations in New York in 1994. He worked as an associate attorney at the Angara Abello Concepcion Regala and Cruz (ACCRA) law firm from 2001 to 2003. He finished his law degree at the University of the Philippines College of Law, and earned his Master of Laws degree from Harvard Law School in Cambridge, Massachusetts, United States.

MARIO A. ORETA
Mr. Oreta, Filipino, 73 years old, was elected Director on November 11, 2009. He served as President of the Company from 2009 to 2017. He is also Director of The City Club at Alphaland Makati Place, Inc. He graduated with honors from the Ateneo De Manila University with a degree in Bachelor of Laws and immediately joined the law firm of Siguion Reyna, Montecillo and Ongsiako after graduating from law school. He is the managing partner of The Law Firm of Mario Oreta and Partners.

MARGARITO B. TEVES (*Independent*)
Mr. Teves, Filipino, 76 years old, was elected Independent Director on August 31, 2011. He is also an Independent Director of AB, Alphaland Balesin Island Club, Inc., and The City Club at Alphaland Makati Place, Inc. Mr. Teves is currently the Chairman of Think Tank, Inc., and a Member of the Board of Advisers of Bank of Commerce. He was formerly Secretary of the Department of Finance, Landbank President and CEO, and a Member of the House of Representatives (representing the 3rd District of Negros Oriental). He obtained a Higher National Diploma (HND) in Business Studies, equivalent to a BSC in Business Economics, from the City of London College, and a Master of Arts (MA) in Development Economics from the Center for Development Economics, Williams College, Massachusetts, USA. He was recently conferred an Honorary Degree, Doctor of Laws, by Williams College, and named Senior Adviser to the China-Asean Economic and Culture Research Center and Visiting Professor at the Guilin University of Electronic Technology in China.

JOSE RAMON T. VILLARIN, SJ *(Independent)*
Mr. Villarin, Filipino, 60 years old, was elected Independent Director on June 20, 2018 and is presently the President of Ateneo de Manila University. He is also the Vice-Chairman of the Scientific Community/Academe of the National Resilience Council. He is also a member of the Board of Governors of Asian Institute of Management (AIM) and Chairman of the Board of Trustees of Synergeia, Manila Observatory and Confucius Institute. Mr. Villarin is also a member of the Board of Trustees of various private institutions among which are the Philippine Institute of Pure and Applied Chemistry, Loyola School of Theology and Ateneo de Naga University. Mr. Villarin has a degree in Physics from the Ateneo de Manila University and graduated Magna Cum Laude, Class Valedictorian and Physics Departmental Award of the Ateneo de Manila University.

FLORENTINO M. HERERRA III *(Independent)*
Mr. Herrera, Filipino, 68 years old, was elected Independent Director on June 20, 2018 and is the founding partner of Herrera Teehankee & Cabrera Law Offices. He is also a director of Philippine Airlines, Inc., Rizal Commercial Banking Corporation (RCBC) and Lufthansa Technik Philippines, Inc. Mr. Herrera is the Corporate Secretary of MacroAsia Corporation and Allianz PNB Life Insurance, Inc.

GREGORIO T. YU *(Independent)*
Mr. Yu, Filipino, 59 years old, was elected Independent Director on June 20, 2018 and is presently the Chairman of Auto Nation Group, Inc., Cats Automobile Corp. and American Motorcycles, Inc. He is also the Vice Chairman and Director of Sterling Bank of Asia and the Chairman and President of Lucky Star Network Communications, Inc. Mr. Yu is also a director of various private institutions, among which are, PAL Holdings, Inc., Philippine Bank of Communications, Philippine Airlines, Inc., Philequity Management, Inc. and CATS Asian Cars, Inc. He is a board member of Ballet Philippines and Manila Symphony Orchestra and an independent director of IRemit, Inc. and E-Business Services, Inc.

GILBERTO EDUARDO GERARDO C. TEODORO, JR., *(Independent)*
Mr. Teodoro, Filipino, 55 years old, was elected Independent Director for the company on June 20, 2018. He is also a Director of Canlubang Sugar Estate from 1991 to present and Philippine Geothermal Production Co., Inc. from 2012 to present. He is currently the Chairman and President of Bolam Holdings, Inc., Branko Holdings, Inc. and WIPSIAE Holdings, Inc. He studied law at the University of the Philippines and finished at the top of his class. He obtained his Masters of Laws degree from Harvard Law School in Cambridge, Massachusetts, United States and passed the State Bar of New York.

Independent Directors

As approved by the BOD, the procedure for the nomination of independent directors shall be as follows:

The nomination of independent directors shall be conducted by the Nominations Committee prior to the Annual Meeting. All recommendations shall be signed by the nominating stockholder/s together with the acceptance and conformity by the nominees for election. The Nominations Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors.

After the nomination, the Nominations Committee shall prepare a final list of candidates which shall contain all the information about all the nominees for independent directors, as required by existing and applicable rules, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the information statement, or in such other reports the Company is required to submit the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relation with the nominee.

Only nominees whose names appear on the final list of candidates shall be eligible for election as independent directors. No other nomination for independent directors shall be entertained after the final list of candidates shall have been prepared. No further nominations for independent directors shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

All nominees do not have a relationship with the Company which would interfere with the exercise of independent judgment in carrying out responsibilities of a director. None of them are related to any of the directors or officers of the Company.

The Nominations Committee has taken into consideration the qualifications to be an independent director. Attached as **Annexes "A" "B", "C", "D", and "E"** are the Certifications of the Qualification of the Nominees for Independent Directors namely Messrs. Teves, Villarin, Herrera, Teodoro and Yu.

In approving the nomination for Independent Director, the Nomination Committee took into consideration the guidelines on the nomination of Independent Directors prescribed in SEC Memorandum Circular No. 16, Series of 2002. All the nominees for election to the BOD have at least one (1) share registered in their names.

OFFICERS

MICHAEL ANGELO PATRICK M. ASPERIN, *Chief Operating Officer*
Mr. Asperin, Filipino, 61 years old, was elected director of the Company on April 2, 2013 and as Chief Operating Officer on May 31, 2016. He is the Chief Executive Officer of the Alphaland Balesin Island Club, Inc. (ABICI) He handles various matters for the Alphaland Group of Companies including the development of the Balesin Island Club project, as well as the operations of the aviation and security divisions of the Group. Prior to joining ALPHA, he served as Senior Vice President for Security for Philweb Corporation (WEB) from 2009 to 2012. He graduated from the Philippine Military Academy in 1981.

CRISTINA B. ZAPANTA, *Treasurer and Senior Vice President for Finance*
Ms. Zapanta, Filipino, 56, was appointed Treasurer and Vice President for Finance on May 17, 2016 and Senior Vice President for Finance on June 1, 2017. She is also the Senior Vice President for Finance of Atok-Big Wedge Co., Inc., Alphaland Balesin Island Club, Inc., Alphaland Makati Place, Inc., Alphaland Southgate Tower, Inc. and Alphaland Balesin Island Resort Corporation. She has more than 30 years

solid experience in Finance, of which over half is in the real estate industry. She is a Certified Public Accountant.

JASON J. ALBA, *Corporate Secretary*
Mr. Alba, Filipino, 46 years old, became Corporate Secretary on June 14, 2017 and is also the Corporate Secretary and General Counsel of the Company and its subsidiaries. He obtained his Business Administration and Law degrees from the University of the Philippines and was admitted to the Philippine Bar in 2002. Prior to joining Alphaland, Mr. Alba was an Associate at Romulo Mabanta Buenaventura Sayoc & Delos Angeles, thereafter, he served as Vice President of Standard Chartered Bank and First Vice President of the Philippine Bank of Communications.

JONAMEL G. ISRAEL-ORBE, *Corporate Information Officer and Assistant Corporate Secretary*
Ms. Israel-Orbe, Filipino, 47 years old, was appointed as Corporate Information Officer of the Company since March 12, 2014 up to the present, and as Assistant Corporate Secretary of the Company since May 2016 up to the present. She is also Corporate Information Officer and Assistant Corporate Secretary of Atok-Big Wedge Co., Inc. She is a member of the Philippine Bar.

Directorships in Other Reporting Companies

Mr. Ongpin is also a director and the Chairman of Atok-Big Wedge Co. Inc. (AB).

Mr. Valdes is also a director of AB.

Mr. Eric O. Recto is also a director and the Chairman of Philippine Bank of Communications (PBC); director of ISM, director and the President of AB.

Ms. Ongpin is also a director of AB, Alphaland Balesin Island Club, Inc. and The City Club at Alphaland Makati Place, Inc.

Atty. Oreta is also a director of AB and The City Club at Alphaland Makati Place, Inc.

Atty. Lim is also director of Union Bank of the Philippines, Inc. (UBP) and Energy Development Corporation (EDC).

Mr. Herrera is also a director of Rizal Commercial Banking Corporation (RCB).

Mr. Yu is also director of PAL Holdings, Inc. (PAL) and PBC, and an independent director of I-Remit, Inc. (I).

Shares of AB, ISM, PBC, UBP, EDC, RCB, PAL and I are listed in the Philippine Stock Exchange, Inc. Shares of The City Club at Alphaland Makati Place, Inc. and Alphaland Balesin Island Club, Inc. are covered by Registration Statements filed with the SEC.

Significant Employees

The Company considers its entire manpower complement (including that of its subsidiaries) as significant employees, expected to contribute positively to the Company's goals and objectives in line with the Company's mission, vision and objectives through the implementation of its core and foundational values.

Family Relationships

Messrs. Valdes and Recto are the nephews of Mr. Ongpin. Ms. Ongpin is the daughter of Mr. Ongpin. Ms. Ongpin, Mr. Recto, and Mr. Valdes are first cousins. Other than the foregoing, the persons nominated or chosen by the Company to become directors or executive officers are not related to each other up to the fourth civil degree either by consanguinity or affinity.

Involvement in Certain Legal Proceedings

1. *Atty. Zenaida Ongkiko-Acorda, as attorney-in-fact of Atty. Mario E. Ongkiko and in behalf of Philex Mining Corporation vs. Roberto V. Ongpin, et al., SEC Case No. 11-166, Branch 158, Regional Trial Court of Pasig*. This involves a "derivative suit" filed on behalf of Philex against RVO and other companies beneficially owned by RVO in connection with Section 23.2 of the Securities Regulation Code and in order to recover the "short-swing profits" which were allegedly realized from supposed transactions involving Philex shares. This case is in the discovery stage. A related Petition for Review on Certiorari is also pending before the Supreme Court in G.R. No. 204166, entitled *Roberto V. Ongpin, et al. vs. Acorda, et al*. There are also two Petitions for Certiorari which are related to this case pending with the Court of Appeals docketed as CA-G.R. SP No. 152806 (entitled Atty. Zenaida Ongkiko-Acorda, as Attorney-in-Fact of Atty. Mario E. Ongkiko, and in behalf of Philex Mining Corporation vs. Judge Elma M. Rafallo-Lingan, in her capacity as Presiding Judge of the Regional Trial Court, Branch 159, Pasig City, et al.) and CA-G.R. SP No. 159604 (entitled Roberto V. Ongpin, et al. vs. Honorable Elma M. Rafallo-Lingan, in her capacity as the presiding Judge of Branch 159 of the Regional Trial Court of Pasig City, et al.).

2. *People vs. Roberto V. Ongpin, et al., S.B.-13-CRM-0105 and S.B.-13-CRIM-0106, Sandiganbayan (Third Division)*. This case was filed against RVO and others in connection with two loans obtained by Deltaventure Resources, Inc. (DVRI) from DBP. The Informations in both cases, respectively, for violations of Section 3 (e) of R.A. No. 3019 were filed on 10 January 2013. In a Resolution promulgated on 28 May 2014, the Third Division of the Sandiganbayan granted the Accused's Motions to Quash and DISMISSED Criminal Case Nos. S.B.-13-CRM-0105 and S.B.-13-CRIM-0106. A related Petition for Review on Certiorari is pending before the Supreme Court in G.R. Nos. 217417 and 217914, entitled "People of the Philippines v. Reynaldo G. David, et al."

3. *In the matter of: Roberto V. Ongpin, Mario A. Oreta, Margarito B. Teves,et al., SEC-EIPD Case No. 14-3039.*This concerns the findings of the Enforcement ad Investigation Protection Department on the liability of respondents for violation of Section 26(3) of the Securities Regulation Code (SRC) in connection with the issuance of shares of Alphaland Corporation in a capital call, stock rights offering and property for share swap which were approved and ratified by respondents as officers and members of the Board of Alphaland Corporation. On August 24, 2015, Respondents elevated the matter through notice of appeal to the SEC En Banc, where the matter is presently pending resolution. The appeal is docketed as SEC En Banc Case No. 08-15-384, entitled "Roberto V. Ongpin, Mario A. Oreta, Margarito B. Teves, et al. vs. Enforcement and Investor Protection Department.

4. In the Matter of: Philex Mining Corporation, SEC-EIPD Case No. 14-3044. This concerns the findings of the Enforcement and Investor Protection Department against Mr. Roberto V. Ongpin for allegedly committing Insider Trading when he purchased Philex shares at Php19.25 to Php 19.50 per share from the open market in the morning of 02 December 2009 without disclosing to the public that the group of Mr. Manuel V. Pangilinan had agreed to purchase the said shares from him at P21.00 per share. RVO appealed the case to the SEC En Banc but the latter affirmed the findings of the EIPD. Mr. Ongpin elevated the case to the Court of Appeals by way of a Petition for Review docketed as CA-G.R. SP. No. 146704, entitled "Roberto V. Ongpin v. Enforcement and Investor Protection Department". On December 1, 2017, the Court of Appeals issued a decision in favor of RVO, reversing the SEC and finding that RVO did not commit insider trading. EIPD filed a Motion for

Reconsideration, which was denied by the Court of Appeals on July 2, 2018. EIPD elevated the case to the Supreme Court by way of a Petition for Review, which petition is presently pending resolution.

5. *People of the Philippines vs. Dennis Ang Uy, John Does and/or Jane Does* - Regional Trial Court-Branch 14, Davao City, Criminal Case Nos. 75, 834-13 to 75, 845-13 and 76, 076-13. On August 27, 2013, The Department of Justice (DOJ) filed twelve (12) Informations before the Regional Trial Court of Davao against Mr. Dennis A. Uy and several John Does and/or Jane Does for alleged violations of Section 3602, in relation to Sections 3601, 2530 (l)(1), (3), (4), and (5), Sections 1801, 1802 of the Tariff and Customs Code of the Philippines. These provisions all pertains to unlawful importation of goods allegedly committed by Mr. Uy for the importation of petroleum products in the Philippines. On September 11, 2013, additional ten (10) criminal informations were filed by the DOJ, pertaining to additional instances of the violations under the TCCP. These additional informations all pertain to the alleged unlawful importation of petroleum products. On October 4, 2013, the RTC dismissed all the cases, for lack of probable cause, against Mr. Uy. People of the Philippines filed a Motion for Reconsideration, which was denied by the RTC on August 18, 2014. On October 27, 2014, the petitioner People of the Philippines filed a Petition for Certiorari with the Court of Appeals, which was denied by the latter on October 12, 2016. On November 7, 2016, the People of the Philippines filed a Motion for Reconsideration of the Decision dated October 12, 2016. To date, the Court of Appeals has not acted on the Motion for Reconsideration dated November 7, 2016 and thus the case remains pending.

6. *Dennis A. Uy vs. Hon. Secretary of the Department of Justice Leila M. De Lima and the Bureau of Customs*, CA-G.R. SP No. 131702, Court of Appeals, Manila, Special Former Special Tenth Division – Dennis A. Uy filed a Petition for Certiorari with the Court of Appeals on September 4, 2013 in connection to the resolution of the DOJ to file criminal cases against him for the alleged violations of the TCCP. On July 25, 2014, the Court of Appeals issued its Decision granting the Petition for Certiorari of Mr. Uy and declaring the Resolutions of the DOJ dated April 24, 2013 and August 13, 2013 nullified and set aside and directing that the Information filed against Dennis Uy withdrawn and/or dismissed for lack of probable cause. The DOJ and the Bureau of Customs thereafter filed a Motion for Reconsideration, which was denied by the Court of Appeals on July 23, 2015. Subsequently, the DOJ and Bureau of Customs filed a Petition for Review on Certiorari with the Supreme Court. The Supreme Court required the parties to file their respective Memoranda, which the parties complied with. On December 12, 2016, the Supreme Court issued its Notice of Resolution dated November 16, 2016 noting the parties Memoranda. As of the date, the Supreme Court has not yet issued any decision.

Other than the foregoing, the Company is not aware of any other legal proceeding including without limitation any (a) bankruptcy petition, (b) conviction by final judgment, (c) order, judgment or decree, or (d) violation of a securities or commodities law, during the last five (5) years up to the date of the filing of this Statement, to which any of its Directors and Executive Officers is a party and which is material to an evaluation of their ability or integrity to act as such.

<u>Certification</u>

Based on information provided to the Company, none of the above-named directors and officers work in the government except that Mr. Angara is an elected Senator.

<u>Certain Relationships and Related Transactions</u>

The Company is not aware of any transaction in the last two (2) years, or proposed transaction to which the registrant is a party, in which the following persons have direct or indirect material interest, that were out of the ordinary course of business:

1. any director or executive officer
2. any nominee for election as director
3. any security holder named above
4. any member of the immediate family of the above-named persons

Except as disclosed in the Company's notes to financial statements contained in the Company's audited financial statements, there has been no material transaction to which the Company was or is to be a party in which any of the incumbent directors or nominee director or executive officer of the Company or owners of more than ten percent of the Company's voting shares has or is to have a direct or indirect material interest. In the ordinary course of business, the Company has transactions with other companies in which some of such persons may have an interest. Such transactions are negotiated on an arm's length basis comparable or better than that which can be provided by independent third parties.

The transactions with related parties/affiliates are carried out under commercial terms and conditions. Pricing for the sales of products are market driven. For purchases and other services, the Company's practice is to solicit competitive quotes from third parties. Transactions from any related party are evaluated on arm's length commercial terms and subject to bidding against third party suppliers. Purchases and services are usually awarded on the basis of lowest cost provider. The Company also receives/grants cash advances and other financial support from/to affiliated companies and stockholders. These cash advances to and from affiliates bear interest rate based on current bank rates and with no definite repayment period.

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of security holders because of a disagreement with the registrant on any matter relating to the registrant's operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

The aggregate compensation (including bonuses) paid or accrued during the last two years and the ensuing year to the Company's Chief Executive Officers (CEO) and the key officers named below, as a group are:

Name and Principal Position	Year	Salary (PhP)	Bonus (PhP)	Other Compensation	Aggregate Compensation (PhP)
CEO and Top 4 Highest Paid Executives 1. Roberto V. Ongpin, Chairman & CEO 2. Anna Bettina Ongpin, President 3. Michael A. P. M. Asperin, EVP 4. Enrico Sison, SVP 5. Yu, Christene, SVP	2018	126,315,086.21	0	0	126,315,086.21
All Directors and	2018	127,515,086.21			127,515,086.21

Officers as a Group Unnamed					
CEO and Top 4 Highest Paid Executives 1. Roberto V. Ongpin, Chairman & CEO 2. Anna Bettina Ongpin, President 3. Michael A. P. M. Asperin, EVP 4. Enrico Sison, SVP 5. Mark Biddle, Executive Chef	2019	127,400,000.00*	0	0	127,400,000.00*
All Directors and Officers as a Group Unnamed	2019	129,800,000.00	0	0	129,800,000.00
CEO and Top 4 Highest Paid Executives 1. Roberto V. Ongpin, Chairman & CEO 2. Anna Bettina Ongpin, Vice-Chairman 3. Paul Dennis O. Valdes, President 4. Michael Angelo Patrick M. Asperin, EVP/COO 5. Enrico M. Sison, SVP	2020	135,500,000.00	0	0	135,000,000.00
All Directors and Officers as a Group Unnamed	2020	137,900,000.00	0	0	137,900,000.00*

**Estimated aggregate compensation for the whole year 2020.*

The above executive officers, aside from their compensation and bonus, are entitled to reimburse certain expenses which they incur as part of the ordinary course of business (i.e. representation, gasoline and other travel expenses). There are no special terms or compensatory plans or arrangements with respect to the resignation, termination of employment of such executive officers between the Company and any of its executive officers. Likewise, there are no warrants or options held by the Company's officers or directors either singly or collectively.

The non-executive members of the BOD do not receive any direct compensation from the Company. None of the directors, in their personal capacity, has been contracted and compensated by the Company for services other than those provided as a director. The BOD, upon attendance at each Board Meeting, is authorized under the Company's By-laws to receive a per diem of not more than 10% of the net income before tax of the Corporation during the preceding year.

The Company is being managed by the management team of ASTI.

Item 7. Independent Public Accountant

In 2019, the Company engaged Reyes Tacandong & Co. as its external auditor for the year, with the approval of the BOD and the stockholders. There were no changes in or disagreements with accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure during the past calendar year.

The Company paid its external auditor the following fees for the last three (3) years for professional services rendered:

Type of Service	Aggregate Fee Amount			Nature of Service
	2019	2018	2017	
External Audit	**₱1,105,000**	₱3,835,000	₱769,500	Audit of Financial Statements
Retainer	**216,000**	216,000	216,000	Tax Advisory
Total Fees	**₱1,321,000**	₱4,051,000	₱985,500	

The Audit Committee is directly responsible in selecting and appointing the independent public accountants. Annually, the Committee recommends that the Board request shareholder ratification of the appointment of the independent public accountants. The Committee is also responsible for setting the compensation of the independent public accountants and periodically reviews the fees charged for all permitted audit-related expenses and other services. The Committee performs oversight functions over the Company's external auditors. It ensures that the auditors act independently from management and that it is given access to all records, properties and personnel of the Company to enable it to perform its functions properly. It is also their responsibility to evaluate and, when appropriate, to remove the independent public accountants. The Audit Committee makes recommendations to the BOD concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Committee reviews the financial reports before these are submitted to the Board, with particular focus on (i) any changes in accounting policies and practices, (ii) Major judgmental areas, (iii) significant adjustments resulting from audit, (iv) going concern assumptions, (v) compliance with accounting standards, and (vi) compliance with tax, legal and regulatory requirements. The Audit Committee has approved the audit conducted by Reyes Tacandong & Co.

There were no other professional services rendered by Reyes Tacandong & Co. during the period.

The reappointment of Reyes Tacandong & Co. as the Company's external auditor was approved by the Stockholders in the Annual Stockholders Meeting held on May 7, 2019.

The reappointment of the said auditing firm as Independent Public Accountant for the year 2020 will be submitted to the stockholders by the Company's Audit Committee for their confirmation and approval during the regular annual stockholders meeting.

Pursuant to Rule 68 of the Securities Regulation Code on the 5 year rotation requirement for the external auditor, the Audit Committee shall require the appointment of a new partner to handle and oversee the external audit of the Group's financial statements. The appointment of the duly qualified and SEC registered Independent Public Accountant shall be announced in the shareholders meeting for consideration and approval of the stockholders.

Duly authorized representatives of Reyes Tacandong & Co. are expected to be present at the meeting where they will have the opportunity to respond to appropriate questions.

Item 8. Compensation Plans

On June 5, 2013, the BOD of the Company approved a Stock Option Plan, with the following salient features:

a. Allocates no more than 5% of the authorized capital (i.e., 100 million common shares) for the plan.
b. A stock option committee will make the grants.
c. Each grant is for 3 years and will vest 1/3 each for each of the succeeding years.
d. Strike price shall not be less than 80% of the market value at the time of the grant.

The title and amount of securities underlying such options is not more than five percent (5%) of the Company's authorized capital stock or 100 million common shares of the Company.

The prices, expiration dates and other material conditions upon which the options may be exercised will be determined by the Stock Option Committee.

The consideration received or to be received by the registrant or subsidiary for the granting or extension of the options will be determined by the Stock Option Committee.

The amount of such options received or to be received by the following persons will be determined by the Stock Option Committee:

A. the Chief Executive Officer;
B. the four highest paid executive officers, other than the Chief Executive Officer, who were serving as executive officers at the end of the last completed fiscal year;
C. all current executive officers as a group;
D. each nominee for election as a director;
E. each other person who received or is to receive five percent (5%) of such options, warrants or rights;
F. all current directors as a group who are not executive officers; and
G. all other employees, as a group.

This plan was approved by Stockholders (representing at least 2/3 of the Outstanding Capital Stock) during the annual stockholders meeting held on December 3, 2014.

On November 27, 2017, June 9, 2017, and December 19, 2016, the Stock Option Plan Committee awarded stock options to key officers and employees of the Group. The Stock Option Plan was confirmed as an exempt transaction by the SEC on May 16, 2019

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action will be taken with respect to the authorization or issuance of any securities other than for exchange of outstanding securities of the Company.

Item 8 (Compensation Plans) above sets forth the adoption of the Company's stock option plan.

Item 10. Modification or Exchange of Securities

On May 10, 2017, the shareholders approved the following amendment to the Seventh Article of the Corporation's Articles of Incorporation, which amendment was previously approved by the Board of Directors of the Corporation on November 17, 2016, as follows:

> "SEVENTH: That the authorized capital stock of said corporation is FIVE BILLION PESOS (P5,000,000,000.00) Philippines Currency, and said capital stock is divided into FIFTY BILLION (50,000,000,000) common shares with a par value of Ten Centavos , Philippine currency (P0.10) each share."

The Company's Amended Articles of Incorporation reflecting the amendment to the Seventh Article was filed with the SEC on January 19, 2018 and was approved by the SEC on December 10, 2018.

Aside from the foregoing, there were no recent planned modifications of any class of the Company's securities or the issuance or authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

The audited financial statements as of December 31, 2019, Management's Discussion and Analysis, and other data related to the Company's financial information are stated in the Management Report attached to this Information Statement

Corporate Information

ALPHA is a holding company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 19, 1990. The principal business of ALPHA and its subsidiaries (collectively referred to as the "Group") is real property development.

The registered office address of ALPHA is Alphaland Makati Place, 7232 Ayala Avenue corner Malugay Street, Bel-Air, Makati City.

The consolidated financial statements as at and for the year ended December 31, 2019 were approved and authorized for issuance by the Executive Committee of the BOD on March 2, 2020.

ALPHA's Significant Legal Subsidiaries as at December 31, 2019 and 2018

a. *Alphaland Balesin Island Resort Corporation (ABIRC), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on May 26, 2010. ABIRC's primary purpose is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, and exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

ABIRC has investment in preferred shares of Alphaland Balesin Island Club, Inc. (ABICI).

b. *Alphaland Southgate Tower, Inc. (ASTI), 100%-owned by ALPHA*, was incorporated in the Philippines and registered with the Philippine SEC on May 29, 2007 as Alphaland Development, Inc. On October 15, 2015, the Philippine SEC approved the change in corporate name from "Alphaland Development, Inc." to "Alphaland Southgate Tower, Inc." ASTI's primary purpose is to engage in real property acquisition and development. ASTI's main property is a 20-storey office tower building with a six-storey podium shopping mall known as Alphaland Southgate Tower. In March 2019, ASTI sold the Alphaland Southgate Tower property for nearly four times of its cost.

c. *Alphaland Makati Place, Inc. (AMPI), 100%-owned by ASTI*, was incorporated in the Philippines and registered with the Philippine SEC on March 6, 1991 as Silvertown Property Development Corporation. On February 26, 2010, the Philippine SEC approved the change in corporate name from "Silvertown Property Development Corporation" to "Alphaland Makati Place, Inc."

   AMPI's primary purpose is to acquire by exchange of shares, purchase, lease that specific property described as three-storey building with basement of strong materials together with the warehouse, other land improvements and machinery and equipment as well as the leasehold rights on the land, which is situated at Ayala Avenue corner Malugay Street, Makati, Metro Manila.

   AMPI entered into a joint venture with Boy Scouts of the Philippines (BSP) to develop the Malugay Property into a first class commercial development now known as Alphaland Makati Place. It is a mixed-use property development consisting of three (3) high end residential towers atop an upscale six-storey podium with a shopping center and a City Club.

   AMPI has investment in preferred shares of The City Club at Alphaland Makati Place, Inc. (TCCAMPI).

d. *Alphaland Baguio Mountain Log Homes, Inc. (ABMLHI), 100%-owned by ALPHA*, was incorporated in the Philippines and registered with the Philippine SEC on January 17, 2013 as Alphaland Holdings Company, Inc. On September 7, 2016, the Philippine SEC approved the change in corporate name from "Alphaland Holdings Company, Inc." to "Alphaland Baguio Mountain Log Homes, Inc.".

   ABMLHI's primary purpose is to deal and engage in the real estate business in all its aspects; to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent, or otherwise deal in and dispose of, for itself or for others, all kinds of real estate projects, involving commercial, industrial, urban, residential or other kinds of real property, improved or unimproved, with or to such persons and entities and under such terms and conditions as may be permitted by law.

e. *The Alpha Suites, Inc. (TAS), 100%-owned by AMPI*, was incorporated in the Philippines and registered with the Philippine SEC on June 11, 2018 primarily to deal and engage in the real estate business in all its aspects; to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent, lease or otherwise deal in and disclose of, for itself or for others all kinds of real estate projects. In 2018, the Company started its commercial operations catering the serviced residences activity of AMPI using a number of its condominium units.

f. *Alphaland Balesin International Gateway, Inc. (ABIGI), 100%-owned by ALPHA*, was incorporated in the Philippines and registered with the SEC on May 19, 2010 as Aklan Boracay Properties Inc. On October 17, 2016, the Philippine SEC approved the change in the Company's corporate name from "Aklan Boracay Properties, Inc." to "Alphaland Balesin Gateway, Inc." On April 10, 2018 the Philippine SEC approved the further change in the Company's corporate name from "Alphaland Balesin Gateway, Inc." to "Alphaland Balesin International Gateway, Inc." ABIGI's primary purpose is to invest in, purchase or otherwise acquire and own, hold use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

g. *Alphaland Aviation, Inc. (AAI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on July 31, 2012 and is primarily engaged in the aviation industry and its related businesses, including but not limited to, the provision of hangarage and moorage, parking and landing operations, aircraft maintenance, supply of parts, oils, and lubricants and other related businesses.

h. *Alphaland Aviation-Pampanga, Inc., 100%-owned by AAI,* was incorporated and registered with the Philippine SEC on December 5, 2016 primarily to engage in aviation industry and its related businesses, including but not limited to, the provision of hangarage and moorage, parking and landing operations, aircraft maintenance, supply of parts, oils, and lubricants and other related businesses.

i. *Aegle Wellness Center, Inc. (AWCI), 100%-owned by ALPHA,* incorporated and registered with the Philippine SEC on September 28, 2015 primarily to provide diagnostic, therapheutic and naturopathic services using formulated herbal supplements and natural health products and sale of such herbal supplements.

j. *Aegle Drugstore, Inc., 100%-owned by AMPI,* was incorporated and registered with the Philippine SEC on December 22, 2017 primarily to engage in the business of retailing or wholesaling of pharmaceutical products, medicines, foodstuffs and groceries.

k. *Alphaland Reclamation Corporation, 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on April 5, 2011, and primarily engaged in the construction of reclamation projects and to contract for and perform reclamation works.

l. *Alphaland International. Inc.* (AII), 100%-owned by ALPHA, was incorporated and registered with the Philippine SEC on January 29, 2014 primarily to market assets, including club shares and condominium units of the Alphaland Group of Companies outside the Philippine market.

m. *2258 Blue Holdings, Inc. (Blue Holdings), 100%-owned by ASTI,* was incorporated in the Philippines and registered with the Philippine SEC on September 17, 2012 and its primary purpose is to purchase, own and hold the stock of other corporations, and to do every act and thing covered generally by the denomination of "holding corporation," especially to direct the operations of other corporations through the ownership of stock therein.

n. *Choice Insurance Brokerage, Inc. (CIBI), 100%-owned by Blue Holdings,* was incorporated in the Philippines and registered with the SEC on November 6, 2012, and is primarily engaged to, conduct, carry on and maintain insurance business, to act as a broker, and to do other related activities. On January 28, 2020, the BOD of CIBI approved the shortening of the term for which the company is to exist, from perpetual to eight years from its incorporation or until November 6, 2020.

o. *Alphaland Southgate Restaurants, Inc. (ASRI), 100%-owned by ASTI,* was incorporated in the Philippines and registered with the Philippine SEC on March 28, 2011 as Alphaland Ukiyo, Inc. It was renamed as ASRI on June 27, 2013. Its primary purpose is to establish, maintain and operate restaurants, coffee shops, refreshment parlors and cocktail lounge.

p. *Alphaforce Security Agency, Inc.* (ASAI), 80%-owned by ALPHA, was incorporated and registered with the Philippine SEC on March 18, 2011 primarily to engage in the business of providing security and investigation services to private institutions and government organizations.

   ALPHA initially subscribed to 79,999 common shares of ASAI representing 40% of its outstanding shares in March 2011, which was then accounted for as an associate. In October 2017, ALPHA purchased additional 79,999 common shares from an existing shareholder for ₱11.2 million increasing its ownership of ASAI to 80%.

Financial Statements

The audited consolidated financial statements as of December 31, 2019 of the Group will be distributed to the stockholders on the designated annual meeting date.

Plan of Operation

The Group generates funds primarily from sale of Baguio Mountain Lodges and Balesin Private Villas; from leasing operations of Alphaland Makati Place Corporate Tower and Mall; and from operation of serviced residences of The Alpha Suites that commenced during the first half of the year 2018. The leasing operations and The Alpha Suites provide recurring cash flows for the Group.

The Group also generates funds through secondary sale of membership shares of the completed Club projects, namely, Alphaland Balesin Island Club and The City Club at Alphaland Makati Place.

In March 2019, ASTI sold its Alphaland Southgate Tower property at nearly four times of its cost. The proceeds was used to pay off all of ALPHA's bank debts and ended the year with zero bank debt and almost half a billion pesos in cash. Additionally, ALPHA has an unutilized ₱3 billion bank line from Philippine Bank of Communications to fund the Group's expansion projects going forward. While the Group has lost rental income from its Alphaland Southgate Tower, the Group was be able to eliminate about ₱1 billion in debt service, which has a dramatic positive impact on the Group's financial performance for 2019 and beyond.

The Alphaland Baguio Mountain Lodges, a master-planned development of authentic log homes spread out over 87 hectares of rolling mountains and terrain, just 15 minutes away from Baguio City proper continued to progress. There are five designs and floor plans to choose from, and the homes are sited to maximize the views of the surrounding pine-forested mountains. The entire property is secured by a perimeter fence. The Clubhouse, along with the first 32 single-family homes, has been completed. The quadruplex multi-family lodges of 2 and 3 bedrooms, which consist of some 15 structures for a total of 60 home units, is sold for about half the price of the single family units and is already generating brisk market interest.

The most significant project that broke ground in December 2018 is the Alphaland Balesin International Gateway on Patnanungan Island in Quezon. Alphaland has acquired 753 hectares of land in Patnanungan Island for the purpose of building a full international airport facility which will accommodate even Boeing 747s. With the establishment of Balesin Gateway International Airport, international members and guests will be able to bypass the congestion of NAIA in Manila and fly directly to Balesin from Tokyo, Seoul, Taipei, Hongkong, Bangkok, Singapore, Jakarta and Sydney, all cities that will be the target of Alphaland's aggressive international marketing of Balesin Island Club in 2017. Along with the plan for full international airport, Alphaland plans to build an 18-hole championship golf course and a 300-room hotel, as well as 500 beachfront and golf course homes. The entire project will take 3 to 4 years to complete.

The Group is looking forward to a strong operating performance in 2020 despite of the adverse effects of the covid-19 pandemic in its operations as well as in worldwide economy. The Alphaland Corporate Tower is 100% leased at a record amount per square meter, while The Alpha Suites, in only one and a half years has been consistently rated as the no. 1 hotel in Metro Manila by TripAdvisor. Both operations are strongly contributing to the company's cash flows.

Research and Development

The Group engages in research and development activities focusing on the types of construction of materials, construction methodology, value-engineering, and quality assurance for its projects. The expenses incurred by the Group in connection with these activities are not material.

Number of Employees

The Group does not expect significant change in the number of employees for year 2020.

Submission of Matters to a Vote of Security Holders

During the last Annual Stockholders' Meeting on May 7, 2019, the security holders present and represented approved the appointment of Reyes Tacandong & Co. as the Company's external auditor

The top 20 registered stockholders of the Company as of April 30, 2020 are as follows:

		Citizenship	No. of Shares	%
1.	Alphaland Development, Inc.	Filipino	13,792,109,780	48.55%
2.	RVO Capital Ventures Corporation	Filipino	8,426,567,460	29.66%
3.	Boerstar Corporation	Filipino	1,677,884,300	5.91%
4.	Red Epoch Group Ltd.	Hongkong	961,134,130	3.38%
5.	Fine Land Limited	Filipino	890,000,000	3.13%
6.	Azurestar Corporation	Filipino	280,626,360	0.99%
7.	Loustar Corporation	Filipino	222,570,970	0.78%
8.	Powerventures, Inc.	Filipino	219,604,500	0.77%
9.	Galaxyhouse, Inc.	Filipino	190,304,900	0.67%
10.	Crystalventures, Inc.	Filipino	188,796,760	0.66%
11.	Towermill Capital Ventures Corporation	Filipino	188,454,140	0.66%
12.	Gemsplace Resources, Inc.	Filipino	187,512,680	0.66%
13.	Summer Wind Capital Ventures Corporation	Filipino	167,169,230	0.59%
14.	Noble Care Management Corporation	Filipino	145,916,470	0.51%
15.	Mega Access Capital Ventures, Inc.	Filipino	100,825,370	0.35%
16.	Globalcentric Corporation	Filipino	100,473,660	0.35%
17.	Earthlight, Inc.	Filipino	100,247,230	0.35%
18.	Regentstar Holdings Corporation	Filipino	100,138,190	0.35%
19.	Arculli, Derek	Filipino	100,000,000	0.35%
20.	Citadel Investments Limited	Filipino	100,000,000	0.35%

Dividends

There has been no proposed action or resolution relating to the declaration of dividends for the ensuing year. The Company has not declared dividends in the past two fiscal years.

There are no restrictions on the Corporation that limit the payment of dividends on Common shares. The Company has re-invested its retained earnings for working capital requirements as well as the expansion of its operations and facilities.

Recent Sale of Unregistered or Exempt Securities Including Recent Issuance of Securities Constituting an Exempt Transaction

As at December 31, 2019, the Company entered into the following share subscription agreements:

Date of Subscription	*Subscriber*	*Number of Shares Subscribed*	*Total Subscription Price (in PhP)*
June 11, 2018	Crystalventures, Inc.	18,879,676	224,479,349
June 11, 2018	Earthlight, Inc.	10,024,723	119,294,209
June 11, 2018	Galaxyhouse, Inc.	19,030,490	226,082,227
June 11, 2018	Gemsplace Resources, Inc.	18,751,268	222,765,069
June 11, 2018	Globalcentric Corporation	10,047,366	119,463,179
June 11, 2018	Loustar Corporation	22,257,097	264,414,318
June 11, 2018	Mega Access Capital Ventures, Inc.	10,082,537	119,982,187
June 11, 2018	Powerventures, Inc.	21,960,450	260,890,144
June 11, 2018	Redcrest Holdings Corporation	9,856,652	117,097,022
June 11, 2018	Regenstar Holdings Corporation	10,013,819	119,164,443
June 11, 2018	Summer Wind Capital Ventures Corporation	16,716,923	198,597,048
June 11, 2018	Towermill Capital Ventures Corporation	18,845,414	223,883,517

Other than the foregoing, there were no recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt Transaction.

Item 12. Mergers, Consolidations, Acquisitions, and Similar Maters

There are no maters or actions to be taken up in the annual stockholders' meeting with respect to merger, consolidation, acquisition by sale, or liquidation of the Company.

Item 13. Acquisition or Disposition of Property

There are no matters or actions to be taken up in the annual stockholders' meeting with respect to acquisition or disposition of any property by the Company.

Item 14. Restatement of Accounts

No action is to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

OTHER MATTERS

Item 15. Action with Respect to Reports

(a) Approval of the Minutes of the 2019 annual meeting of stockholders held on May 7, 2019 covering the following maters:

i. Annual report;
ii. Ratification and approval of all resolutions of the Board and the Executive Committee, and all acts of the Management after the annual stockholders' meeting on May 7, 2019 until the annual stockholders' meeting on July 30, 2020.
iii. Election of the members of the Board, including Independent Directors; and
iv. Election of the external auditor.

(b) Approval of the annual report of Management for the year ending December 31, 2019, including the 2019 audited financial statements.

Item 16. Matters Not Required to be Submitted

There are no matters or actions to be taken up in the meeting that will not require the vote of the stockholders as of the record date.

Item 17. Other Proposed Action

(a) Ratification of all resolutions of the Board and the Executive Committee, as well as the acts of the Management to implement the resolutions after the annual stockholders' meeting on May 7, 2019 until the annual stockholders' meeting on July 30, 2020 including, but not limited to, the following matters:

- September 10, 2019 – Resolution authorizing the infusion of additional capital in Alphaland Aviation, Inc, a wholly-owned subsidiary of the Corporation
- December 10, 2019 – Resolution approving the merger of Alphaland Corporation (ALPHA) and Alphaland Southgate Tower, Inc., with ALPHA as the surviving corporation
- January 30, 2020 – Resolution approving the appointment of Anna Bettina Ongpin as Vice-Chairman and Dennis O. Valdes as President of the Corporation effective February 1, 2020
- June 9, 2020 – Resolution setting the schedule of the 2020 Annual Meeting of the Stockholders of the Company

(b) Election of the members of the Board, including the independent directors, for the ensuing year.
(c) Election of the external auditor.

Item 18. Voting Procedures

The vote required for acts requiring stockholders approval is at least a majority of the outstanding capital stock.

As of the moment there are 15 individuals in the final list of nominees prepared by the Nominations Committee for membership in the Company's Board of Directors. Serving as directors of the Company is voluntary and as of this time 15 individuals have qualified and have agreed to serve as directors of the Company. In the election of directors, the 15 nominees with the greatest number of votes will be elected directors.

Every stockholder entitled is entitled to one vote. However, with respect to the election of directors, the stockholders may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the number of directors to be elected.

The method of counting the votes of the shareholders shall be in accordance with the general provisions of the Revised Corporation Code of the Philippines. Method of voting is outlined in the procedures attached to this Information Statement. Counting of votes shall be supervised by the Corporate Secretary and/or Assistant Corporate Secretary.

Compliance with Leading Practices on Good Governance

The BOD and Management of the Company recognize that good corporate governance is key to achieving the Company's objective of maximizing shareholder value. The institution of the Code on Corporate Governance seeks to provide the process and structure by which the business and affairs of the Company are directed and managed, in order to enhance long-term shareholder value through the enhancement of corporate performance and accountability.

Compliance with the Code of Corporate Governance is ensured by the Corporate Compliance Officer in coordination with the Chairman and President of the Company. Regular meetings are made between Management and the BOD, to review and evaluate the Company's performance and address key policy matters. The Board is provided with timely and complete information for each meeting. Each director has direct access to the advice and services of management and the corporate secretary, and in appropriate circumstances, seek independent professional advice concerning the Company's affairs.

All directors are required to submit themselves for re-election every year. In consideration for their re-election, the nomination committee reviews and presents attendance and participation in meetings of the Company.

All directors are briefed by Management on the Company's business operations as well as a regular tour of the Company's manufacturing operations.

The audit committee first reviews the Company's audited financials, who then recommends approval from the BOD before they are presented to the stockholders of the Company. It is also the audit committee, which ensures independence and objectivity of the external auditors.

The Company is continually seeking measures of improving is corporate governance to further enhance corporate performance and accountability. The Directors and Management have been encouraged to regularly attend corporate governance seminars and corporate governance consultants on methods by which it can enhance it corporate performance and accountability.

No deviation from the Company's Manual Code of Corporate Governance has been noted. The Company's Manual on Corporate Governance was amended on February 21, 2011.

A COPY OF THE AUDITED FINANCIAL STATEMENTS (AFS) WITH MANAGEMENT DISCUSSION & ANALYSIS, AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019 AND INTERMI FINANCIAL STATEMENTS AS OF AND FOR THE QUARTER ENDED JUNE 30, 2020 (UNAUDITED) IS ATTACHED TO THIS INFORMATION STATEMENT.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S ANNUAL REPORT AND/OR AUDITED FINANCIAL STATEMENTS AND MANAGEMENT DISCUSSION AND ANALYSIS FOR THE APPLICABLE INTERIM PERIOD. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO:

ATTY. JASON J. ALBA
CORPORATE SECRETARY, ALPHALAND CORPORATION
5TH FLOOR, THE CITY CLUB AT ALPHALAND MAKATI PLACE
7232 AYALA AVENUE CORNER MALUGAY STREET
1209 MAKATI CITY

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on July 15, 2020.

ALPHALAND CORPORATION
Issuer

By: JASON J. ALBA
Corporate Secretary

ALPHALAND CORPORATION

MANAGEMENT REPORT

for the
2020 Annual Meeting of Stockholders
Pursuant to SRC Rule 20 (4) (A)

A. AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2019 AND UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

Please see the attached Audited Financial Statements as of and for the year ended December 31, 2019 and the Unaudited Interim Financial Statements as of and for the quarter ended June 30, 2020.

B. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In 2019, the Company engaged Reyes Tacandong & Co. as its external auditor for the year, with the approval of the BOD and the stockholders. There were no changes in or disagreements with accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure during the past calendar year.

C. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

1. Plan of Operation for the Next Twelve (12) Months

The Group generates funds primarily from sale of Baguio Mountain Lodges and Balesin Private Villas; from leasing operations of Alphaland Makati Place Corporate Tower and Mall; and from operation of serviced residences of The Alpha Suites that commenced during the first half of the year 2018. The leasing operations and The Alpha Suites provide recurring cash flows for the Group.

The Group also generates funds through secondary sale of membership shares of the completed Club projects, namely, Alphaland Balesin Island Club and The City Club at Alphaland Makati Place.

In March 2019, ASTI sold its Alphaland Southgate Tower property at nearly four times of its cost. The proceeds was used to pay off all of ALPHA's bank debts and ended the year with zero bank debt and almost half a billion pesos in cash. Additionally, ALPHA has an unutilized 3 billion bank line from Philippine Bank of Communications to fund the Group's expansion projects going forward. While the Group has lost rental income from its Alphaland Southgate Tower, the Group was be able to eliminate about 1 billion in debt service, which has a dramatic positive impact on the Group's financial performance for 2019 and beyond.

The Alphaland Baguio Mountain Lodges, a master-planned development of authentic log homes spread out over 87 hectares of rolling mountains and terrain, just 15 minutes away from Baguio City proper continued to progress. There are five designs and floor plans to choose from, and the homes are sited to maximize the views of the surrounding pine-forested mountains. The entire property is secured by a perimeter fence. The Clubhouse, along with the first 32 single-family homes, has been completed. The quadruplex multi-family lodges of 2 and 3 bedrooms, which consist of some 15 structures for a total of 60 home units, is sold for about half the price of the single family units and is already generating brisk market interest.

The most significant project that broke ground in December 2018 is the Alphaland Balesin International Gateway on Patnanungan Island in Quezon. Alphaland has acquired 753 hectares of land in Patnanungan Island for the purpose of building a full international airport facility which will accommodate even Boeing 747s. With the establishment of Balesin Gateway International Airport, international members and guests will be able to bypass the congestion of NAIA in Manila and fly directly to Balesin from Tokyo, Seoul, Taipei, Hongkong, Bangkok, Singapore, Jakarta and Sydney, all cities that will be the target of Alphaland's aggressive international marketing of Balesin Island Club in 2017.

Along with the plan for full international airport, Alphaland plans to build an 18-hole championship golf course and a 300-room hotel, as well as 500 beachfront and golf course homes. The entire project will take 3 to 4 years to complete.

The Group is looking forward to a strong operating performance in 2020 despite of the adverse effects of the covid-19 pandemic in its operations as well as in worldwide economy. The Alphaland Corporate Tower is 100% leased at a record amount per square meter, while The Alpha Suites, in only one and a half years has been consistently rated as the no. 1 hotel in Metro Manila by TripAdvisor. Both operations are strongly contributing to the company's cash flows.

2. Financial Condition and Results of Operations

Management's Discussion and Analysis of Results of Operation and Financial Condition

Results of Operations (in thousands)

	Quarters Ended June 30		Variance		Six Months Period Ended June 30		Variance	
	2020 (unaudited)	2019 (unaudited)	Amount	%	2020 (unaudited)	2019 (unaudited)	Amount	%
REVENUES								
Real estate sold	₱10,786	₱72,701	(₱61,915)	-85%	₱100,786	₱550,710	(₱449,924)	-82%
Rental income	97,935	122,445	(24,510)	-20%	269,059	440,225	(171,166)	-39%
Service income	122,416	223,763	(101,347)	-45%	215,809	328,811	(113,002)	-34%
Interest income	3,502	5,472	(1,970)	-36%	9,826	13,499	(3,673)	-27%
Others	4,010	8,325	(4,315)	-52%	14,270	32,872	(18,602)	-57%
	238,648	432,705	(194,056)	-45%	609,750	1,366,117	(756,367)	-55%
COSTS AND EXPENSES								
Cost of services	129,120	193,235	(64,116)	-33%	33,537	345,197	(86,905)	-27%
Cost of real estate sold	–	71,543	(71,543)	100%	229,586	316,490	(311,659)	-90%
General and administrative	192,988	297,074	(104,086)	-35%	418,573	547,515	(128,942)	-24%
	322,107	561,853	(239,745)	-43%	681,696	1,209,202	(527,506)	-44%
OTHER INCOME (EXPENSES)								
Net accounting loss on sale of Southgate	–	–	–	–	–	(7,003,266)	7,003,266	-100%
Finance costs	–	–	–	–	–	(190,870)	190,870	-100%
Other gains (losses) - net	420	11	409	–	716	(1,096)	1,811	-165%
	420	11	409	–	716	(7,195,232)	7,195,948	-100%
INCOME BEFORE INCOME TAX	(83,039)	(129,137)	46,098	-36%	(71,230)	(7,038,317)	6,967,087	-99%
INCOME TAX EXPENSE (BENEFIT)								
Current	8,499	115,677	(107,178)	-93%	8,498	665,468	(656,969)	-99%
Deferred	–	98,236	17,440	100%	–	(2,772,613)	2,772,613	-100%
	8,499	(8,499)	(89,738)	-91%	8,498	(2,107,145)	2,115,643	-100%
NET INCOME (LOSS)	(91,537)	(227,373)	135,836	-60%	(79,728)	(4,931,172)	4,851,444	-98%
OTHER COMPREHENSIVE INCOME								
Not to be reclassified to profit or loss in subsequent years:								
Revaluation increase	–	–	–		–	–	–	-%
Income tax effect	–	–	–		–	–	–	-%
	–	–	–		–	–	–	-%
Unrealized valuation gain on club shares for sale	–	14,122	(14,122)	100%	(13,500)	(8,000)	(5,500)	69%
Income tax effect	–	(2,118)	2,118	100%	2,025	1,200	825	69%
	–	12,004	(12,004)	100%	(11,475)	(6,800)	(4,675)	69%
Remeasurement gain(loss) on retirement liability	(617)	–	(617)	100%	(617)	–	(617)	100%
	(617)	12,004	(12,621)	105%	(12,092)	(6,800)	(5,292)	78%
TOTAL COMPREHENSIVE INCOME	(₱92,154)	(₱215,370)	(₱ 123,215)	-57%	(₱91,820)	(₱4,937,972)	₱4,846,152	-98%
Net income attributable to								
Equity holders of the Parent Company	(₱91,554)	(₱228,745)	₱137,191	-60%	(₱79,508)	(₱4,930,062)	₱4,850,554	-98%
Noncontrolling interests	16	1,372	(1,356)	-99%	(220)	(1,110)	890	-80%
	(₱91,537)	(₱227,373)	₱135,836	-60%	(₱79,728)	(₱4,931,172)	₱4,851,444	-98%
Total comprehensive income attributable to								
Equity holders of the Parent Company	(₱92,171)	(₱216,741)	₱124,571	-57%	(₱91,600)	(₱4,936,862)	₱4,845,262	-98%
Noncontrolling interests	16	1,372	(1,356)	-99%	(220)	(1,110)	890	-80%
	(₱92,154)	(₱215,370)	₱123,215	-57%	(₱91,820)	(₱4,937,972)	₱4,846,152	-98%

Quarters Ended June 31, 2020 and 2019

The Group's net loss for the quarters ended June 30, 2020 and 2019 amounted to ₱ 91.5 million and ₱ 227.3 million, respectively. Total comprehensive loss of the Group is ₱92.2 million in 2020 and ₱215.4 million in 2019.

45% Decrease in Revenues
The Group showed total revenues amounting to ₱238.6 million and ₱432.7 million for the quarters ended June 30, 2020 and 2019, respectively.

The decrease is mainly attributable to the effect of COVID-19 pandemic to the Group's business. This resulted to lower number of sold log homes and villas, decreased number of flights and decrease in the occupancy rate of the Alpha Suites.

43% Decrease in Costs and Expenses
Corresponding to the decrease in revenues, the cost of real estate sold, cost of services and general and administrative expenses likewise decreased.

91% Decrease in Income Tax Expense (Benefit)
This pertains mainly to the current income tax expense and deferred income tax benefit of the Group.

Six Months Period Ended June 30, 2020 and 2019

The Group's net loss for the six months ended June 30, 2020 and 2019 amounted to ₱ 79.7 million and ₱ 4,931.2 million, respectively. Total comprehensive loss of the Group is ₱91.8 million in 2020 and ₱4,938.0 million in 2019.

55% Decrease in Revenues
The Group showed total revenues amounting to ₱609.8 million and ₱1,366.1 million for the six months ended June 30, 2020 and 2019, respectively.

The decrease is mainly attributable to the effect of COVID-19 pandemic to the Group's business. This resulted to lower number of sold log homes and villas, decreased number of flights and decrease in the occupancy rate of the Alpha Suites. Decrease in rental income following the sale of Southgate in March 2019 also contributed to lower revenues in the current period.

44% Decrease in Costs and Expenses
Corresponding to the decrease in revenues, the cost of real estate sold, cost of services and general and administrative expenses likewise decreased.

100% Decrease in Other Income (Expenses)
This pertains mainly to the net accounting loss of P7.0 billion recognized by the Group following the sale of ASTI in March 2019.

100% Decrease in Income Tax Expense (Benefit)
This pertains mainly to the current income tax expense and deferred income tax benefit as a result of the sale of Southgate in March 2019.

	Years Ended December 31		Variance	
	2019 (audited)	2018 (audited)	Amount	%
REVENUES				
Real estate sold	₱1,115,616	₱1,346,526	(₱230,910)	-17%
Rental income	853,183	1,173,732	(320,549)	-27%
Service income	530,538	306,838	223,700	73%
Interest income	26,545	17,033	9,512	56%
Others	50,454	33,690	16,764	50%
	2,576,336	2,877,819	(301,483)	-10%
COSTS AND EXPENSES				
Cost of services	761,631	646,589	115,042	18%
Cost of real estate sold	552,587	859,354	(306,767)	-36%
General and administrative	1,121,855	1,237,330	(115,475)	-9%
	2,436,073	2,743,273	(307,200)	-11%
OTHER INCOME (EXPENSES)				
Gain on fair value changes of investment properties	18,286,157	7,453,516	10,832,641	145%
Net accounting loss on sale of Southgate	(7,003,266)	-	(7,003,266)	0%
Finance costs	(190,870)	(321,345)	130,475	-41%
Other gains (losses) - net	(7,472)	(100,857)	93,385	-93%
	11,084,549	7,031,314	4,053,235	58%
INCOME BEFORE INCOME TAX	11,224,812	7,165,860	4,058,952	57%
PROVISION FOR INCOME TAX				
Current	826,587	68,380	758,207	1109%
Deferred	2,565,137	2,369,177	195,960	8%
	3,391,724	2,437,557	954,167	39%
NET INCOME (LOSS)	7,833,088	4,728,303	3,104,785	66%
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss in subsequent years:				
Revaluation increase	768,967	4,365,148	(3,596,181)	-82%
Income tax effect	(230,690)	(1,287,956)	1,057,266	-82%
	538,277	3,077,192	(2,538,915)	-83%
Unrealized valuation gain on club shares for sale	2,732,624	1,084,338	1,648,286	152%
Income tax effect	(409,894)	(162,651)	(247,243)	152%
	2,322,730	921,687	1,401,043	152%
Remeasurement gain(loss) on retirement liability	(4,393)	-	(4,393)	0%
	2,856,614	3,998,879	(1,142,265)	-29%
TOTAL COMPREHENSIVE INCOME	₱10,689,702	₱8,727,182	₱1,962,520	22%
Net income attributable to:				
Equity holders of the Parent Company	₱7,831,868	₱4,727,912	₱3,103,956	66%
Noncontrolling interests	1,220	391	829	212%
	₱7,833,088	₱4,728,303	₱3,104,785	66%
Total comprehensive income attributable to:				
Equity holders of the Parent Company	₱10,688,482	₱8,726,791	₱1,961,691	22%
Noncontrolling interests	1,220	391	829	212%
	₱10,689,702	₱8,727,182	₱1,962,520	22%

The Group's net income in 2019 and 2018 amounted to ₱ 7,833.1 million and ₱4,728.3 million, respectively. Total comprehensive income of the Group is ₱10,689.7 million in 2019 and ₱8,727.2 million in 2018.

10% Decrease in Revenues
The Group showed total revenues amounting to ₱2,576.3 million and ₱2,877.8 million for the years ended December 31, 2019 and 2018, respectively.

The decrease is mainly attributable to the decrease in rental income following the sale of Southgate in March 2019 and in the number of condominium units sold by AMPI in 2019. However, the increase in villas sold by ABIRC and the increase in occupancy rate of TAS in 2019 compensated the total decrease in revenues.

11% Decrease in Costs and Expenses
The sale of Southgate in March 2019 and the decrease in number of condominium units sold by AMPI in 2019 brought about the decrease in costs and expenses from ₱2,743.7 million in 2018 to ₱2,436.1 million in 2019.

58% Increase in Other Income (Expenses)
Net increase in other income by ₱ 4,053.3 million, from ₱ 7,031.3 million in 2018 to ₱11,084.5 million in 2019. The significant increase is due to the increase in fair value of Silang, Makati Place, Baguio, Patnanungan and Balesin properties. Increase is also attributable to the decrease in finance costs as a result of the full prepayment of the loans of the Group in the first quarter of 2019.

39% Increase in Provision for Income Tax
Increase in provision for income tax from ₱2,437.6 million in 2018 to ₱3,391.7 million in 2019 is mainly from the income tax on the sale Southgate property.

	Years Ended December 31		Variance	
	2018 (audited)	2017 (audited)	Amount	%
REVENUES	₱2,877,819	₱2,483,427	₱394,392	16%
COSTS AND EXPENSES				
Cost of real estate sold	859,354	834,340	25,014	3%
Cost of services	646,589	360,468	286,121	79%
General and administrative	1,237,330	874,784	362,546	41%
	2,743,273	2,069,592	673,681	33%
OTHER INCOME (EXPENSES)				
Gain on fair value changes of investment properties	7,453,516	11,471,819	(4,018,303)	-35%
Interest expense and other finance charges	(321,345)	(365,727)	44,382	-12%
Other gains (losses) – net	(100,857)	51,476	(152,333)	-296%
	7,031,314	11,157,568	(4,126,254)	-37%
INCOME BEFORE INCOME TAX	7,165,860	11,571,403	(4,405,543)	-38%
PROVISION FOR INCOME TAX				
Current	68,380	58,161	10,219	18%
Deferred	2,369,177	3,344,210	(975,033)	-29%
	2,437,557	3,402,371	(964,814)	-28%
NET INCOME	4,728,303	8,169,032	(3,440,729)	-42%
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent years:				
Revaluation increase	4,365,148	9,515	4,355,633	45776%
Income tax effect	(1,287,956)	(2,854)	(1,285,102)	45028%
	3,077,192	6,661	3,070,531	46097%
Unrealized valuation gain on equity securities designated as FVOCI	1,084,338	–	1,084,338	0%
Income tax effect	(162,651)	–	(162,651)	0%
	921,687	–	921,687	0%
Remeasurement gain (loss) on retirement liability	–	22,504	(22,504)	-100%
To be reclassified to profit or loss in subsequent years:				
Reclassification adjustments on disposal of AFS financial assets	–	(216,038)	216,038	-100%
Unrealized valuation gain on AFS financial assets	–	58,146	(58,146)	-100%
Income tax effect	–	15,789	(15,789)	-100%
	–	(142,103)	142,103	-100%
	3,998,879	(112,938)	4,111,817	-3641%
TOTAL COMPREHENSIVE INCOME	₱8,727,182	₱8,056,094	₱671,088	8%
Net income attributable to:				
Equity holders of the Parent Company	₱4,727,912	₱8,167,662	(₱3,439,750)	-42%
Noncontrolling interests	391	1,370	(979)	-71%
	₱4,728,303	₱8,169,032	(₱3,440,729)	-42%
Total comprehensive income attributable to:				
Equity holders of the Parent Company	₱8,726,791	₱8,054,768	₱672,023	8%
Noncontrolling interests	391	1,326	(935)	-71%
	₱8,727,182	₱8,056,094	₱671,088	8%

The Group's net income in 2018 and 2017 amounted to ₱ 4,728.3 million and ₱8,169.0 million, respectively. Total comprehensive income of the Group is ₱8,727.2 million in 2018 and ₱8,056.1 million in 2017.

16% Increase in Revenues
The Group's total revenues are ₱2,877.8 million and ₱2,483.4 million for the years ended December 31, 2018 and 2017, respectively. The increase is mainly due to the additional tenants of AMPI and ASTI in 2018 and increase in service income of AAI from Alphaland Balesin Island Club, Inc. (ABICI).

33% increase in Costs and Expenses
Increase from ₱2,069.6 million in 2017 to ₱2,743.7 million in 2018 is mainly from the costs related to the additional tenants of AMPI and ASTI and number of flights of AAI.

Financial Condition (in thousands)

	June 30, 2020 (unaudited)	December 31, 2019 (audited)	Variance Amount	%
ASSETS				
Current Assets				
Cash and cash equivalents	₱514,434	₱494,184	384,027	349%
Trade and other receivables	1,532,107	1,589,758	(184,170)	-10%
Land and development costs and parking lots for sale	3,348,591	3,310,222	230,082	7%
Advances to related companies	3,679,928	3,527,104	407,725	13%
Club shares for sale	1,062,311	1,062,311	(3,000)	0%
Other current assets	1,375,298	1,337,541	(851,913)	-39%
Total Current Assets	11,512,669	11,321,120	(17,249)	0%
Noncurrent Assets				
Investment in and advances to an associate	12,349	12,349	-	0%
Club shares for sale - net of current portion	32,454,589	32,496,589	2,525,815	8%
Investment properties	54,642,918	54,642,253	6,966,441	15%
Property and equipment	11,002,374	10,698,168	523,356	5%
Other noncurrent assets	154,030	198,764	8,180	4%
Total Noncurrent Assets	98,266,260	98,048,123	10,023,792	11%
	₱109,778,929	₱109,369,243	10,006,543	10%
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱5,830,732	₱5,612,035	1,715,973	44%
Advances from related companies	255,052	356,542	111,290	45%
Customers' deposits	87,947	83,927	80,335	2236%
Income tax payable	2,688	505,775	438,826	655%
Total Current Liabilities	6,176,419	6,558,279	1,122,462	21%
Noncurrent Liabilities				
Customers' deposits - net of current portion	194,199	192,877	(73,234)	-28%
Retirement liability	66,873	65,784	21,275	48%
Net deferred tax liabilities	22,046,595	21,672,232	3,130,986	17%
Other noncurrent liabilities	564,477	49,743	19,833	66%
Total Noncurrent Liabilities	22,872,144	21,980,636	(1,876,109)	-8%
Total Liabilities	29,048,563	28,538,915	(753,647)	-3%
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	₱2,842,174	₱2,842,174	-	0%
Additional paid-in capital	12,769,730	12,769,730	-	0%
Retained earnings	53,353,797	53,419,451	8,123,957	18%
Other comprehensive income:				
Cumulative unrealized valuation gain on club shares for sale	25,023,823	25,057,294	2,165,616	9%
Revaluation surplus	3,577,428	3,577,428	473,790	15%
Accumulated remeasurement gain on retirement liability	40,340	40,957	(4,393)	-10%
	97,607,292	97,707,034	10,758,970	12%
Less:				
Parent Company's shares held by a subsidiary	16,881,220	16,881,220	-	0%
Cost of treasury shares	1,214	1,214	-	0%
	80,724,858	80,824,600	-	0%
Noncontrolling interests	5,508	5,728	1,220	27%
Total Equity	80,730,366	80,830,328	10,760,190	15%
	₱109,778,929	₱109,369,243	10,006,543	10%

Total assets of the Group increased by ₱409.7 million or 0.4% from ₱109,369.2 million as of December 31, 2019 to ₱109,778.9 million as of June 30, 2020.

4% increase in cash and cash equivalents
Cash and cash equivalents was significantly higher by 17% or ₱20.3 million due to higher cash net generated by Group from its operation. Down payments from the sale of three Baguio log homes also contributed to the increase.

4% increase in advances to related companies
Advances to related companies increased by 4% or ₱152.8 million due to additional advances to the Clubs for working capital requirements.

3% increase in other current assets
Other current assets increased by 3% or ₱37.8 million due to increase in input taxes arising from additional purchase of goods and services and reclassification from deferred input taxes. Prepaid insurance and subscription of ASTI and AAI which will be amortized until the end of first quarter of 2021 also contributed to the increase.

0.1% decrease in club shares for sale
Club shares for sale decreased by 0.1% or ₱42.0 million due to additional sale of club shares held by ABIRC and AMPI.

3% increase in property and equipment
Property and equipment increased by 3% or ₱304.2 million mainly due to effect of PFRS 16, *Leases*, in which AAI, as a lessee, recognized an asset representing the right to use the leased hangar and aircrafts. The amount is net of depreciation expense of the Group.

23% decrease in other noncurrent assets
Other noncurrent assets were significantly lower by 23% or ₱44.7 million mainly due to reclassification of deferred input taxes to input taxes presented under other current assets.

4% increase in trade and other payables
Trade and other payables increased by 4% or ₱218.7 million due to increase in construction-related payable in the 1st half of 2020.

29% decrease in advances from related companies
Advances from related companies decreased by 29% or ₱101.5 million due to settlement of various advances from affiliates.

100 % decrease in income tax payable 2% increase in net deferred tax liabilties
Income tax payable was significantly lower by 100% or ₱503.1 million due to reclassification from income tax payable to net deferred tax liabilities.

1035% increase in other noncurrent liabilities
Other noncurrent liabilities were significantly higher by 1035% due to recognition of deferred output tax related to the receivables of ABIRC from sale of Balesin villas in 2019 and recognition of lease liability by AAI as effect of PFRS 16.

0.1% decrease in retained earnings
This pertains to the net effect of net loss and reclassification adjustments on disposal of club shares amounting to ₱79.5 million and ₱13.6 million, respectively, in the first half of 2020.

0.1% decrease cumulative unrealized valuation gains on club shares for sale
Cumulative unrealized valuation gains on club shares for sale decreased by 0.1% or ₱33.5 million due to additional sale of club shares held by ABIRC and AMPI.

	As of December 31		Variance	
	2019 (audited)	2018 (audited)	Amount	%
ASSETS				
Current Assets				
Cash and cash equivalents	**494,184**	110,157	384,027	349%
Trade and other receivables	**1,589,758**	1,773,928	(184,170)	-10%
Land and development costs and parking lots for sale	**3,310,222**	3,080,140	230,082	7%
Advances to related companies	**3,527,104**	3,119,379	407,725	13%
Club shares for sale	**1,062,311**	1,065,311	(3,000)	0%
Other current assets	**1,337,541**	2,189,454	(851,913)	-39%
Total Current Assets	**11,321,120**	11,338,369	(17,249)	0%
Noncurrent Assets				
Investment in and advances to an associate	**12,349**	12,349	-	0%
Club shares for sale - net of current portion	**32,496,589**	29,970,774	2,525,815	8%
Investment properties	**54,642,253**	47,675,812	6,966,441	15%
Property and equipment	**10,698,168**	10,174,812	523,356	5%
Other noncurrent assets	**198,764**	190,584	8,180	4%
Total Noncurrent Assets	**98,048,123**	88,024,331	10,023,792	11%
	109,369,243	99,362,700	10,006,543	10%
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	**5,612,035**	3,896,062	1,715,973	44%
Advances from related companies	**356,542**	245,252	111,290	45%
Current portion of:			-	0%
Customers' deposits	**83,927**	3,592	80,335	2236%
Long-term debt	-	1,223,962	(1,223,962)	-100%
Income tax payable	**505,775**	66,949	438,826	655%
Total Current Liabilities	**6,558,279**	5,435,817	1,122,462	21%
Noncurrent Liabilities				
Customers' deposits - net of current portion	**192,877**	266,111	(73,234)	-28%
Retirement liability	**65,784**	44,509	21,275	48%
Net deferred tax liabilities	**21,672,232**	18,541,246	3,130,986	17%
Long-term debt - net of current portion	-	4,974,969	(4,974,969)	-100%
Other noncurrent liabilities	**49,743**	29,910	19,833	66%
Total Noncurrent Liabilities	**21,980,636**	23,856,745	(1,876,109)	-8%
Total Liabilities	**28,538,915**	29,292,562	(753,647)	-3%
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	**2,842,174**	2,842,174	-	0%
Additional paid-in capital	**12,769,730**	12,769,730	-	0%
Retained earnings	**53,419,451**	45,295,494	8,123,957	18%
Other comprehensive income:				
Cumulative unrealized valuation gain on club shares for sale	**25,057,294**	22,891,678	2,165,616	9%
Revaluation surplus	**3,577,428**	3,103,638	473,790	15%
Accumulated remeasurement gain on retirement liability	**40,957**	45,350	(4,393)	-10%
	97,707,034	86,948,064	10,758,970	12%
Less:				
Parent Company's shares held by a subsidiary	**16,881,220**	16,881,220	-	0%
Cost of treasury shares	**1,214**	1,214	-	0%
	80,824,600	70,065,630	-	0%
Noncontrolling interests	**5,728**	4,508	1,220	27%
Total Equity	**80,830,328**	70,070,138	10,760,190	15%
	109,369,243	99,362,700	10,006,543	10%

Total assets of Alpha increased by ₱10,006.5 million or 19% from ₱99,362.7 million as of December 31, 2018 to ₱109,369.2 million as of December 31, 2019.

349% Increase in Cash and Cash Equivalents
The increase in cash and cash equivalents was mainly from the proceeds of the sale of Southgate property, collection of receivables and release from restrictions of the debt service reserve account net of loan payments, development costs and other operating expenses.

10% Decrease in Trade and Other Receivables
The decrease in Trade and Other receivables is due to the collection of receivables from our tenants and log home buyers

7% Increase in Land and Development Costs and Parking Lots for Sale
Increase in land and development and parking lots for sale is attributable to the additional costs incurred to complete the unsold log homes and villas in 2019.

13% Increase in Advances to Related Companies
Increase is due to the advances to related companies in the ordinary course of business.

39% Decrease in Other Current Assets
Decrease in other current assets is due to the release of the debt service reserve account associated with the extinguishment of loan that it secures. The restricted cash was transferred to cash and cash equivalents. Input tax and creditable tax withheld were applied against the taxes on the sale of Southgate, log homes and villas.

8% Increase in Club Shares for Sale
Increase in club shares for sale is primarily due to appreciation of the market values of shares of Balesin Island Club.

15% Increase in Investment Properties
The increase in the fair value of Southgate, Silang, Makati Place, Baguio, Patnanungan and Balesin properties was partially offset by the reduction in investment properties relative to the sale of Southgate.

5% Increase in Property and Equipment
The movement of the accounts mainly pertains to revaluation increase of The Alpha Suites for the year 2019.

Total liabilities of the Group amounted to ₱28,538.9 million and ₱29,292.6 million as of December 31, 2019 and 2018, respectively.

45% Increase in Advances from Related Companies
Increase in advances from related companies are transactions in the ordinary course of business.

100% Decrease in Long-Term Debt
Long-term debts of the Group were fully prepaid in March 2019.

2236% Increase in Current Portion of Customers' Deposits and 28% Decrease in Customers' Deposits - Net of Current Portion
Movements pertain mainly to the reclassification of customers' deposits of ASTI from noncurrent to current relative to the sale of Southgate property.

655% Increase in Income Tax Payable
The increase is mainly attributable to the sale of Southgate property, net of creditable taxes.

48% Increase in Retirement Liability
The increase is attributable to the accrual of additional retirement costs for the year 2019.

17% Increase in Net Deferred Tax Liabilities
The increase in fair values of investment properties and club shares for sale brought about the increase in net deferred tax liabilities.

66% Increase in Other Noncurrent Liabilities
Increase is mainly due to the recognition of lease liabilities as result of the application of PFRS 16, *Leases* effective January 1, 2019

Total equity of the Group jumped by 15% or by ₱10,760.2 million, from ₱70,070.1 million as of December 31, 2018 to ₱80,830.3 million as of December 31, 2019.

18% Increase in Retained Earnings
The increase is brought about by the net income of the Group, amortization of revaluation surplus to retained earnings and reclassification adjustments on disposal of club shares for sale in 2019.

9% Increase in Cumulative Unrealized Valuation Gain on Club Shares for Sale
The increase is due to appreciation of fair market values of shares of Balesin Island Club.

15% Increase in Revaluation Surplus
Increase pertains to the revaluation increase of The Alpha Suites in 2019.

Comparative Key Performance Indicators

	June 2020 (unaudited)	Dec 31, 2019 (audited)	Dec 31, 2018 (audited)	Dec 31, 2017 (audited)
(a) Total comprehensive incomeattributable to equity holders of the Parent Company (in thousands)	**(₱91,600)**	₱10,688,482	₱8,726,791	₱8,054,768
(b) Weighted average number of shares outstanding after the effect of stock split	**14,573,224,623**	14,573,224,623	13,640,892,500	12,729,642,885
Basic/diluted earnings per share (a/b)	**₱0.006**	₱0.733	₱0.640	₱0.633
(a) Total equity (in thousands)	**₱80,730,366**	₱80,830,328	₱70,070,138	₱60,415,514
(b) Total number of shares outstanding at end of year before the effect of stock split	**14,573,224,630**	14,573,224,630	14,573,224,620	1,273,972,539
Book value per share (a/b)	**₱5.540**	₱5.546	₱4.808	₱4.746
(a) Total long-term debt (in thousands)	**₱–**	₱–	₱6,198,931	₱6,596,620
(b) Total equity (in thousands)	**80,730,366**	80,830,328	70,070,138	60,415,514
Debt-to-equity ratio (a/b)	**₱–**	₱–	₱0.088	₱0.109
(a) Total comprehensive incomeattributable to equity holders of the Parent Company (in thousands)	**(₱91,600)**	₱10,688,482	₱8,726,791	₱8,054,768
(b) Average total equity (in thousands)	**75,450,233**	75,450,233	65,242,826	56,413,627
Return on equity (a/b)	**₱0.001**	₱0.142	₱0.134	₱0.143

No material off-balance sheet transactions, arrangements, obligations, and other relationships of the Group with unconsolidated entities were created during the year.

As of December 31, 2019, except for what has been noted in the preceding:

- There are no known trends, events, or uncertainties that would have a material impact on the Group's liquidity;
- There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;
- There are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons during the reporting period;
- The commitments for capital expenditures are those within the ordinary course of trade or business;
- There are no material changes or changes amounting to 5% of the relevant accounts or such lower amount which the Group deems material on the basis of other factors from period to period;
- There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- There are no significant elements of income or loss that did not arise from the Group's results of operations;
- There are no material changes in the financial statements of the Group from the year ended December 31, 2019; and
- There are no seasonal aspects that had a material effect on the financial statements or financial condition or results of the operations of the Group.

3. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, trade and other receivables, advances to related parties, loans payable and long-term debt. The main purpose of these financial instruments is to provide funds for the Group's operations. The Group has various financial instruments such as trade and other receivables, trade and other payables, customers' deposits and advances to and from related parties, which arise directly from its operations.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk, interest rate risk and liquidity risk from the use of its financial instruments. The Group's exposure to foreign currency risk is minimal as it does not normally enter into transactions in currencies other than its functional currency. The BOD reviews and approves the policies for managing each of these risks.

Credit Risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the Parent Company, the Group does not offer credit terms without the specific approval of the Chief Finance Officer.

With respect to credit risk arising from the other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades with recognized third parties and related parties, there is no requirement for collateral. There are no other concentrations of credit risk within the Group.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's exposure to interest rate risk relates primarily to its financial instruments with floating interest and/or fixed interest rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Re-pricing of floating rate financial instruments is done every three to six months. Interest on fixed rate financial instruments is fixed until maturity of the instrument.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt subject to floating interest rates. The other financial instruments of the Group are noninterest-bearing and, therefore, not subject to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, management oversees liquidity and funding risks, and related processes and policies. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Group also maintains a balance between continuity of funding and flexibility. The policy of the Group is to first exhaust lines available from affiliated companies before local bank lines are availed of. The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Also, the Group only places funds in the money market, which are exceeding the Group requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

D. *GENERAL NATURE AND SCOPE OF BUSINESS*

1. Business Indicators

Alphaland Corporation (ALPHA or Parent Company) is a holding company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 19, 1990. The principal business of ALPHA and its subsidiaries (collectively referred to as the "Group") is real property development.

The registered office address of ALPHA is Alphaland Makati Place, 7232 Ayala Ave. ext. cor. Malugay Street, Makati City.

ALPHA's Legal Subsidiaries as at December 31, 2019 and 2018

Company	*Place of Incorporation*	*Nature of Business*	*Percentage of Ownership* 2019	2018
Alphaland Southgate Tower, Inc. (ASTI)	Philippines	Real property development	**100**	100
Alphaland Balesin Island Resort Corporation (ABIRC)	Philippines	Real property development	**100**	100
Alphaland Makati Place, Inc. (AMPI) [(a)]	Philippines	Real property development	**100**	100
Alphaland Baguio Mountain Log Homes, Inc. (ABMLHI)	Philippines	Real property development	**100**	100
Alphaland Balesin International Gateway, Inc. (formerly Alphaland Balesin Gateway, Inc.) (ABIGI)	Philippines	Real property development	**100**	100
Alphaland Reclamation Corporation (ARC)	Philippines	Real property development	**100**	100
2258 Blue Holdings, Inc.(Blue Holdings) [(a)]	Philippines	Holding company	**100**	100
Alphaland Southgate Restaurants, Inc. (ASRI) [(a)]	Philippines	Restaurant operations	**100**	100
Alphaland International, Inc. (AII)	Philippines	Holding company	**100**	100
Alphaland Aviation, Inc. (AAI)	Philippines	Aviation	**100**	100
Alphaland Aviation - Pampanga, Inc. (AAPI) [(b)]	Philippines	Aviation	**100**	100
Aegle Wellness Center, Inc. (AWCI)	Philippines	Wellness center	**100**	100
Alphaland International, Inc. - BVI	British Virgin Islands	Holding company	**100**	100
Alphaland International, Inc. - Seychelles	Seychelles	Holding company	**100**	100
Superface Enterprises Limited	Hongkong	Holding company	**100**	100
Aegle Drugstore Inc. (ADI) [(c)]	Philippines	Pharmacy	**100**	100
Choice Insurance Brokerage, Inc. (CIBI) [(e)]	Philippines	Insurance brokerage	**100**	100
Alphaforce Security Agency, Inc. (ASAI) [(f)]	Philippines	Security agency	**80**	80
Redstone Mountain Holdings Inc. (RMHI)[(g)]	Philippines	Holding company	**100**	100
Lodgepole Holdings, Inc. (LHI) [(g)]	Philippines	Holding company	**100**	100
Mt. Baguio Holding Estates Inc. (MBHEI) [(g)]	Philippines	Holding company	**100**	100
Top of the Alpha, Inc. (Top of the Alpha) [(d)]	Philippines	Restaurant operations	**100**	100
The Alpha Suites, Inc. (Alpha Suites) [(d)]	Philippines	Real estate company	**100**	100
Pinecrest Holdings, Inc. (PHI) [(g)]	Philippines	Holding company	**100**	100

(a) Through ASTI
(b) Through AAI
(c) Through AMPI; Incorporated in 2017
(d) Through AMPI, Incorporated in 2018
(e) Through Blue Holdings
(f) Associate in 2016
(g) Incorporated in 2018

Changes in Group Structure during 2018 and 2017; none in 2019

a. ADI was incorporated and registered with the Philippine SEC on December 22, 2017 primarily to engage in the business of retailing or wholesaling of pharmaceutical products, medicines, foodstuffs and groceries.

b. Blue Holdings initially subscribed to 15,749,996 common shares of CIBI representing 70% of its outstanding shares in November 2012. In October 2017, Blue Holdings purchased additional 6,000,000 common shares from an existing shareholder for ₱5.0 million resulting to an increase in ownership of CIBI to 97%. In December 2018, the remaining interest was obtained by Blue Holdings making CIBI its wholly-owned subsidiary.

   CIBI was incorporated and registered with the Philippine SEC on November 6, 2012 primarily to engage, conduct, carry on and maintain insurance business, to act as a broker, and to do other related activities.

c. ALPHA initially subscribed to 79,999 common shares of ASAI representing 40% of its outstanding shares in March 2011, which was then accounted for as an associate. In October 2017, ALPHA purchased additional 79,999 common shares from an existing shareholder for ₱ 11.2 million increasing its ownership of ASAI to 80%.

   ASAI was incorporated and registered with the Philippine SEC on March 18, 2011 primarily to engage in the business of providing security and investigation services to private institutions and government organizations.

d. Top of the Alpha was incorporated and registered with the Philippine SEC on May 21, 2018 primarily to establish, maintain and operate restaurants, coffee shops, refreshment parlors and cocktail lounge.

e. Alpha Suites was incorporated and registered with the Philippine SEC on June 11, 2018 primarily to deal and engage in the real estate business in all its aspects; to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, all kinds of real estate projects.

f. RMHI, LHI, MBHEI and PHI were incorporated and registered with the Philippine SEC primarily to invest in, purchase, or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description. These entities were incorporated in 2018.

Significant Operating Subsidiaries

a. ASTI was incorporated and registered with the Philippine SEC on May 29, 2007 as Alphaland Corporation. The Philippine SEC approved the change in its corporate name to "Alphaland Development, Inc." on December 28, 2009 and then to "Alphaland Southgate Tower, Inc." on October 15, 2015.

   ASTI's primary purpose is to engage in real property acquisition and development. ASTI's main property is a 20-storey office tower building with a six-storey podium shopping mall known as Alphaland Southgate Tower, which was sold in March 2019.

b. ABIRC was incorporated and registered with the Philippine SEC on May 26, 2010 primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, and exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

ABIRC has investment in preferred shares of Alphaland Balesin Island Club, Inc. (ABICI).

c. AMPI was incorporated and registered with the Philippine SEC on March 6, 1991 as Silvertown Property Development Corporation. On February 26, 2010, the Philippine SEC approved the change in corporate name to "Alphaland Makati Place, Inc."

   AMPI's primary purpose is to acquire by exchange of shares, purchase and lease a specific property described as three-storey building with basement of strong materials together with the warehouse, other land improvements and machinery and equipment as well as the leasehold rights on the land, which is situated at Ayala Avenue corner Malugay Street, Makati, Metro Manila.

   AMPI entered into a joint venture with the Boy Scouts of the Philippines (BSP) to develop the Malugay Property into a first class commercial development now known as Alphaland Makati Place. It is a mixed-use property development consisting of two (2) high end residential towers and one (1) corporate tower atop an upscale six-storey podium with a shopping center and a City Club, including a Boy Scout Convention Center.

   AMPI has investment in preferred shares of The City Club at Alphaland Makati Place, Inc. (TCCAMPI).

d. The Alpha Suites, Inc. (TAS), 100%-owned by AMPI, was incorporated in the Philippines and registered with the Philippine SEC on June 11, 2018 primarily to deal and engage in the real estate business in all its aspects; to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent, lease or otherwise deal in and disclose of, for itself or for others all kinds of real estate projects. In 2018, the company started its commercial operations catering the serviced residences activity of AMPI using a number of its condominium units.

e. ABMLHI was incorporated and registered with the Philippine SEC on January 17, 2013 as Alphaland Holdings Company, Inc. On September 7, 2016, the Philippine SEC approved the change in corporate name to "Alphaland Baguio Mountain Log Homes, Inc."

   ABMLHI's primary purpose is to deal and engage in the real estate business in all its aspects; to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent, or otherwise deal in and dispose of, for itself or for others, all kinds of real estate projects, involving commercial, industrial, urban, residential or other kinds of real property, improved or unimproved, with or to such persons and entities and under such terms and conditions as may be permitted by law.

f. AAI and AAPI were incorporated and registered with the Philippine SEC on July 31, 2012 and December 5, 2016, respectively, primarily to engage in aviation industry and its related businesses, including but not limited to, the provision of hangarage and moorage, parking and landing operations, aircraft maintenance, supply of parts, oils, and lubricants and other related businesses.

Major Sources of Funds

Operations. The Group generates funds primarily from sale of Baguio Mountain Lodges, and Balesin Private Villas; from leasing operations of Alphaland Makati Place Mall and Corporate Tower, and; from the operation of the serviced residences of The Alpha Suites that commenced in the first half of 2018.

The Group also generates funds from secondary sale of membership shares of completed Club projects, namely, Alphaland Balesin Island Club and The City Club at Alphaland Makati Place.

Borrowings. ALPHA, ABICI, ABIRC, AMPI and ASTI has an Omnibus Loan and Security Agreement (OLSA) with BDO Unibank, Inc. (BDO) for a loan facility of ₱6,726.0 million for the purpose of: (a) refinancing the Group's loans; (b) financing new and on-going projects and (c) providing additional working capital for the Group. The outstanding balance of the loan was assigned to the PBCOM Trust and Wealth Management Group on January 23, 2019 and subsequently prepaid in full on March 15, 2019.

AAPI and AAI both entered into an Amortized Commercial Loan (ACL) agreement with BDO Leasing and Finance, Inc. (BDOLFI) for a loan facility of ₱265.2 million and ₱309.0 million, respectively, for the purpose of financing the acquisition of two ATR72 Turboprop Aircrafts (MSN 666 and MSN 678) and a replacement engine for MSN 678 . The outstanding balance of the loans for the acquisition of MSN 666 and replacement engine for MSN 678 were prepaid in full on March 21, 2019.

Contract To Sell (CTS) Financing. ABMLHI obtained a CTS financing facility with BDO amounting to ₱500.0 million for the purpose of refinancing the company's CTS receivables under the terms and conditions of a Memorandum of Agreement (MOA) dated October 30, 2018 between BDO and ABMLHI.

Aggregate availments under the facility amounted to ₱382.7m as of December 31, 2018.

2. Participation in Bankruptcy, Receivership or Similar Proceedings

There is no bankruptcy, receivership or similar proceedings involving the Company.

3. Competition

In terms of the property development sector, there are a number of real estate developers, some with greater financial and other resources and more attractive locations, that compete with the Group in seeking properties for acquisition, resources for development, and prospective clients. The Group believes that in an emerging market like the Philippines, a bold, well-capitalized developer is best positioned to acquire and reinvent prime but underdeveloped sites. In less than a year, the Group has built an inventory of incomparable properties.

The Group stands for development done right, with attention to detail and focus on quality for the long term that delights its customers, and gives its shareholders the best return.

4. Customers

The Company and its subsidiaries are not dependent on any single customer or on a few customers.

5. Intellectual Property

ALPHA is the owner of the following registered marks:

1. THE ALPHA and logo, with IPO Registration No. 4-2011-002902 dated 7 July 2011
2. THE CITY CLUB and logo, with IPO Registration No. 4-2011-002993 dated 20 October 2011
3. A TASTE OF FRANCE and logo, with IPO Registration No. 4-2014-00012033 dated 25 June 2015
4. BALESIN ISLANDER and logo, with IPO Registration No. 4-2014-00012034 dated 25 June 2015
5. COSTA DEL SOL and logo, with IPO Registration No. 4-2014-00012035 dated 1 January 2016

ASTI is the registered owner of the following trademarks:

1. "alphaland", with IPO Registration No. 42008002299 dated 11 August 2008.
2. "alphaland SOUTHGATE" , with IPO Registration No. 4/2012/00009729 dated 16 May 2013
3. THE ALPHA TENTS and logo, with IPO Registration No. 4/2012/00009730 dated 16 May 2013
4. ALPHALAND TOWER and logo, with IPO Registration No. 4/2012/00009731 dated 14 June 2013
5. ALPHALAND MAKATI PLACE and logo, with IPO Registration No. 4/2012/00009732 dated 14 June 2013
6. THE ALPHALAND BALESIN CLUB and logo, with IPO Registration No. 4/2012/00009733 dated 14 June 2013
7. ALPHALAND MARINA CLUB and logo, with IPO Registration No. 4/2012/00009734 dated 14 June 2013
8. MARK'S PRIME RIB and logo, with IPO Registration No. 4-2014-00012036 dated 25 June 2015
9. TOSCANA and logo, with IPO Registration No. 4-2014-00012037 dated 16 July 2015
10. MARK'S STEAKHOUSE and logo, with IPO Registration No. 4-2018-00005196 dated 20 September 2018
11. THE ALPHA and logo, with IPO Registration No. 4-2014-0005916 dated 11 September 2014
12. ALPHALAND BALESIN ISLAND GATEWAY and logo, with IPO No. 4-2015-00009149 dated 3 March 2016
13. TANG PALACE and logo, with IPO Registration No. 4-2018-00016729 dated 7 July 2019

AMPI is the registered owner of the following trademarks:

1. UPMARKET AT MAKATI PLACE and logo, with IPO Registration No. 4-2016-00013168 dated 17 October 2019

AWCI is the registered owner of the following trademarks:

1. AEGLE DRUGSTORE and logo, with IPO Registration No. 4-2017-00017323 dated 13 October 2019

6. Research and Development Activities

The Company engages in research and development activities focusing on the types of construction of materials, construction methodology, value-engineering, and quality assurance for its projects. The expenses incurred by the Company in connection with these activities are not material.

7. Compliance with Environmental Laws

As the Group is engaged in and operates an environmentally critical project, it must comply with laws prescribed and regulated by the Department of Environment and Natural Resources ("DENR"). Under Presidential Decree No. 1586, any person undertaking or operating any environmentally critical project or area, as may be declared by the President of the Philippines, must first secure an Environmental Compliance Certificate ("ECC") from the DENR. An ECC is a document certifying that the project will not cause significant negative environmental impact and the proponent will undertake preventive, mitigating and enhancement measures to protect and rehabilitate the environment.

As a real estate developer, the Group is required to secure permits and licenses from the different agencies of the national government and local government units. These permits include an environmental compliance certificate, building permits and occupancy permit. The Group incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

8. Employees

ASTI provides the management and administrative support such as legal, finance, marketing, and human resource requirements of the Group. ASTI has a total manpower complement of 187 employees as of December 31, 2019 classified as:

Executives/Managers/Supervisors	102
Staff	85

ASTI has not experienced any disruptive labor disputes, strikes, or threats of strikes, and ASTI believes that its relationship with its employees in general is satisfactory. ASTI's employees are not unionized.

9. Risk Factors

ALPHA's profitability is dependent on the performance of its subsidiaries.

10. Properties

Alphaland Southgate Tower
In January 2008, ASTI acquired from South China Resources, Inc. and the Puyat family two parcels of land measuring a total of 9,497 square meters, more or less, at the corner of EDSA and Chino Roces Avenue in Makati City together with the existing improvements thereon. The property is now a fully developed and operational 20-storey office tower building with a 6-storey podium known as Alphaland Southgate Tower. It was declared an Information Technology Zone on January 12, 2009 by the Philippine Economic Zone Authority, pursuant to Presidential Proclamation No. 1692 dated December 22, 2008.
The property secured the long-term loan facility of ALPHA under OLSA with BDO, which was later assigned by BDO to the PBCOM Trust and Wealth Management Group on January 23, 2019. Subsequently, the property was sold on March 15, 2019 to prepay the entire balance of the loan.

Alphaland Balesin Island Property
ABIRC acquired approximately 394 hectares of land in Balesin Island, Polillo, Quezon. Additional 12 hectares were also acquired via land-for-share swaps with existing Balesin Island landowners. This brings

the total land ownership to 406 hectares. Of this total, approximately 98 hectares in 2017 and 2016 was committed for transfer to ABICI. The transfer of certificates of title is currently being processed.

In 2017, ABIRC started the development of certain portions of its land for sale. Accordingly, these portions were reclassified to "Land and development costs".

Certain lots and improvements in Balesin Island secured the long-term loan facility of ALPHA under OLSA with BDO, which was later assigned by BDO to the PBCOM Trust and Wealth Management Group on January 23, 2019 and subsequently prepaid in full on March 15, 2019.

Alphaland Makati Place

This represents the Podium and Tower 3 at the Alphaland Makati Place. The Podium is currently operated as a mall and is for lease to third parties. In 2017, the Group reclassified Tower 3 from "Land and development costs" to "Investment Property" due to change in intention over the property from condominium units for sale to a property held for leasing. The change in management's intention was evidenced by actual change in the use of property.

The property secured the long-term loan facility of ALPHA under OLSA with BDO, which was later assigned by BDO to the PBCOM Trust and Wealth Management Group on January 23, 2019 and subsequently prepaid in full on March 15, 2019.

Baguio Property

This consists of parcels of land and related transaction costs acquired by the Group (through a wholly-owned subsidiary) from various sellers in July 2015. The beneficial owner of the entire property is RVO, the majority shareholder and Chairman of ALPHA.

These parcels of land, measuring approximately 73.4 hectares as of the end of 2015, of rolling terrains are situated in Itogon, Benguet, just ten minutes from Baguio City by land. RVO likewise transferred to the Group rights to another 2.9 hectares of land to complete the total area at 76.3 hectares. The Group is developing the property into the Alphaland Baguio Mountain Lodges.

The fair value of the property based on an independent appraiser' s report dated January 21, 2020 and October 22, 2018 is at P10,500 per square or a total of P6.5 billion and P9,000 per square meter or a total of P4.7 billion, respectively.

The Group acquired the property in 2015 at its zonal value, or a total acquisition cost of ₱106.0 million, which is substantially below the appraised value. As a consideration to RVO for having sold the property at its zonal value, RVO shall have a 15% interest in the project without need of any further investment or equity infusion. The Group will shoulder all development costs required for the project.

In 2016, due to the management's decision to develop the property as horizontal condominium for sale, 13.1 hectare of the property that is currently being developed for such purpose, was reclassified to land and development costs. Additional 7.7 hectares and 3.7 hectares were reclassified to land and development costs in 2018 and 2017, respectively.

In 2017, the Group started the development for the initial phase of the project and the Group also acquired additional land, measuring 4.2 hectares.

In 2019, the Group acquired additional land measuring 9.2 hectares. The total land area of the property approximates 86.7 hectares and 77.5 hectares as at December 31, 2019 and 2018, respectively.

Silang Property
ASTI's three parcels of land in Silang, Cavite, measuring a total of 300,000 square meters, more or less, is reserved for future development. The property secured the long-term loan facility of ALPHA under OLSA with BDO, which was later assigned by BDO to the PBCOM Trust and Wealth Management Group on January 23, 2019 and subsequently prepaid in full on March 15, 2019.

Patnanungan Property
As at December 31, 2016 and 2015, respectively, the Group acquired parcels of land aggregating approximately 385.6 hectares and 325.3 hectares of land, respectively, in Patnanungan, Quezon. This brings the total land ownership to 711.0 hectares, more or less, which is reserved for future development.

In December 2017, the Group sold 20.0 hectares to Red Sun Capital Holdings Corporation for ₱8.0 million, resulting to a gain amounting to ₱2.1 million. In 2018, the contract to sell was rescinded resulting to a loss amounting to P2.1 million.

In December 2018, the Group acquired 42.2 hectares with a carrying amount of P31.7 million. This brings the total land ownership to 753.2 hectares as of end 2019.

Atimonan Property
ABIRC's land in Atimonan, Quezon Province, measuring a total of 21,000.5 square meters, more or less, is reserved for future development.

The fair value of the investment properties as at December 31, 2015 is based on valuations performed by accredited independent appraisers. As at December 31, 2017, the management evaluated that the carrying value of the investment property approximates the fair value as at reporting date since there were no significant changes in the condition of this property and economic environment between those dates.

11. Legal Proceedings

There are certain lawsuits and claims filed by third parties against the Group which are either pending decision by the proper judicial bodies or under negotiation, the outcome of which are presently undeterminable. In the opinion of the Group's management, the ultimate disposition of these cases, disputes and assessments will not have a material adverse effect on the financial position or results of operations of the Group.

As of April 30, 2020, the Company is a party to the following legal proceedings:

1. *Redentor Y. Agustin vs. Alphaland Corporation*, with the Supreme Court docketed as G.R. No. 218282 with the Supreme Court (2nd Division). This is a complaint for Illegal Dismissal filed by complainant Redentor Y. Agustin ("Agustin") before Labor Arbiter Marita Padolina ("LA Padolina") docketed as NLRC-NCR No. 00-1116616-2011. LA Padolina issued a Decision declaring that complainant Agustin was illegally dismissed and ordering the Corporation to pay him the total amount of P336,875.00. This was affirmed by the National Labor Relations Commission (4th Division) and the Court of Appeals ("CA"). Since the CA denied the Corporation's application for the issuance of a restraining order, it was constrained to pay the said judgment award, inclusive of execution fees. Both parties elevated the Decision of the CA to the Supreme Court in separate Petitions for Review. The Petition for Review filed by the Corporation was docketed as SC G.R. No. 217946, which was denied with finality, while the one filed by complainant Agustin, which is this case, is submitted for resolution as the parties had already filed their respective Memoranda.

2. *Jose Edwin G. Esico vs. Alphaland Corporation and Alphaland Development, Inc.*, with the Supreme Court docketed as G.R. No. 134512 (1st Division). This case arose from the consolidated cases of: a. Illegal Dismissal filed by complainant Jose Edwin G. Esico ("Esico"); and, b. wrongful resignation, training reimbursement amounting to P977,720.00 and damages filed by Alphaland Development, Inc. (now Alphaland Southgate Tower, Inc.) ("ADI") before Labor Arbiter Lilia S. Savari ("LA Savari"). LA Savari dismissed the complaint for illegal dismissal and ordered the reimbursement of training expenses amounting to P997,700.00. This was reversed by the NLRC (1st Division), and awarded complainant Esico P2,205,000.00 as full backwages, P690,000.00 as separation pay, P 3,680,000.00 as unpaid salaries and 10 % of all monetary awards as Attorney's fees, and affirmed the award of P45,450.00 as proportionate 13th month pay. The Corporation and ADI elevated the case before the Court of Appeals, which reversed the NLRC decision and reinstated the ruling of Labor Arbiter Savari with modification as to the amount of training expenses from P997,700.00 to P977,720.00. Complainant Esico elevated the case to the Supreme Court by way of a Petition for Review on Certiorari, which petition is presently pending resolution.

E. MARKET PRICE OF AND DIVIDENDS ON THE COMPANY'S COMMON EQUITY

1. Market Price of Shares

On September 8, 2014, the PSE issued a resolution delisting the Company and mandated the Company to hold a tender offer to buy all the shares of its retail/non-strategic shareholders. On October 17, 2014, the Company completed its tender offer to 2,672,789 Company shares, reacquired through ASTI, equivalent to P24.2 million. The PSE also prohibited the Company from applying for relisting within a period of five years from the effective date of delisting. October 2019 marks the end of the five-year recess, thereby allowing the Company to relist with the PSE.

2. Holders

a. Number of Shareholders of Each Class of Common Security as of April 30, 2020:

The Corporation has 88 shareholders holding common shares as of **April 30, 2020.**

b. The Top 20 Registered Stockholders of the Corporation as of April 30, 2020 are:

		Citizenship	No. of Shares	%
1.	Alphaland Southgate Tower, Inc.	Filipino	13,792,109,780	48.55%
2.	RVO Capital Ventures Corporation	Filipino	8,426,567,460	29.66%
3.	Boerstar Corporation	Filipino	1,677,884,300	5.91%
4.	Red Epoch Group Ltd.	Hongkong	961,134,130	3.38%
5.	Fine Land Limited	Filipino	890,000,000	3.13%
6.	Azurestar Corporation	Filipino	280,626,360	0.99%
7.	Loustar Corporation	Filipino	222,570,970	0.78%
8.	Powerventures, Inc.	Filipino	219,604,500	0.77%
9.	Galaxyhouse, Inc.	Filipino	190,304,900	0.67%
10.	Crystalventures, Inc.	Filipino	188,796,760	0.66%
11.	Towermill Capital Ventures Corporation	Filipino	188,454,140	0.66%
12.	Gemsplace Resources, Inc.	Filipino	187,512,680	0.66%
13.	Summer Wind Capital Ventures Corporation	Filipino	167,169,230	0.59%
14.	Noble Care Management Corporation	Filipino	145,916,470	0.51%
15.	Mega Access Capital Ventures, Inc.	Filipino	100,825,370	0.35%
16.	Globalcentric Corporation	Filipino	100,473,660	0.35%
17.	Earthlight, Inc.	Filipino	100,247,230	0.35%
18.	Regentstar Holdings Corporation	Filipino	100,138,190	0.35%
19.	Arculli, Derek	Filipino	100,000,000	0.35%
20.	Citadel Investments Limited	Filipino	100,000,000	0.35%

3. Dividends

There has been no proposed action or resolution relating to the declaration of dividends for the ensuing year. The Company has not declared dividends in the past three fiscal years.

There are no restrictions on the Corporation that limit the payment of dividends on Common shares. The Company has re-invested its retained earnings for working capital requirements as well as the expansion of its operations and facilities.

4. <u>Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction</u>

As at December 31, 2020, the Company entered into the following share subscription agreements:

Date of Subscription	*Subscriber*	*Number of Shares Subscribed*	*Total Subscription Price (in PhP)*
June 11, 2018	Crystalventures, Inc.	18,879,676	224,479,349
June 11, 2018	Earthlight, Inc.	10,024,723	119,294,209
June 11, 2018	Galaxyhouse, Inc.	19,030,490	226,082,227
June 11, 2018	Gemsplace Resources, Inc.	18,751,268	222,765,069
June 11, 2018	Globalcentric Corporation	10,047,366	119,463,179
June 11, 2018	Loustar Corporation	22,257,097	264,414,318
June 11, 2018	Mega Access Capital Ventures, Inc.	10,082,537	119,982,187
June 11, 2018	Powerventures, Inc.	21,960,450	260,890,144
June 11, 2018	Redcrest Holdings Corporation	9,856,652	117,097,022
June 11, 2018	Regenstar Holdings Corporation	10,013,819	P119,164,443
June 11, 2018	Summer Wind Capital Ventures Corporation	16,716,923	198,597,048
June 11, 2018	Towermill Capital Ventures Corporation	18,845,414	223,883,517

Other than the foregoing, there were no recent sales of unregistered or exempt securities including recent issuances of securities constituting an exempt Transaction.

F. COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICE

The Board of Directors and Management of the Company recognize that good corporate governance is key to achieving the Company's objective of maximizing shareholder value. The institution of the Code on Corporate Governance seeks to provide the process and structure by which the business and affairs of the Company are directed and managed, in order to enhance long-term shareholder value through the enhancement of corporate performance and accountability.

Compliance with the Code of Corporate Governance is ensured by the Corporate Compliance Officer in coordination with the Chairman and President of the Company. Regular meetings are made between Management and the Board of Directors, to review and evaluate the Company's performance and address key policy matters. The Board is provided with timely and complete information for each meeting. Each director has direct access to the advice and services of management and the corporate secretary, and in appropriate circumstances, seek independent professional advice concerning the Company's affairs.

All directors are required to submit themselves for re-election every year. In consideration for their re-election, the nomination committee reviews and presents attendance and participation in meetings of the Company.

All directors are briefed by Management on the Company's business operations as well as a regular tour of the Company's projects.

The audit committee first reviews the Company's audited financials, who then recommends approval from the board of directors before they are presented to the stockholders of the Company. It is also the audit committee, which ensures independence and objectivity of the external auditors.

The Company is continually seeking measures of improving is corporate governance to further enhance corporate performance and accountability. The Directors and Management have been encouraged to regularly attend corporate governance seminars and corporate governance consultants on methods by which it can enhance it corporate performance and accountability.

No deviation from the Company's Manual Code of Corporate Governance has been noted. The Company's Manual on Corporate Governance was amended on February 21, 2011.

Unaudited Consolidated Interim Financial Statements as at and for the Quarters Ended and Six Months Period Ended June 30, 2020 and 2019

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except for Book Value per Share)

	June 30, 2020 Unaudited	December 31, 2019 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	**₱514,434**	₱494,184
Trade and other receivables	**1,532,107**	1,589,758
Land and development costs and parking lots for sale	**3,348,591**	3,310,222
Advances to related companies	**3,679,928**	3,527,104
Club shares for sale	**1,062,311**	1,062,311
Other current assets	**1,375,298**	1,337,541
Total Current Assets	**11,512,669**	11,321,120
Noncurrent Assets		
Investment in and advances to an associate	**12,349**	12,349
Club shares for sale - net of current portion	**32,454,589**	32,496,589
Investment properties	**54,642,918**	54,642,253
Property and equipment	**11,002,374**	10,698,168
Other noncurrent assets	**154,030**	198,764
Total Noncurrent Assets	**98,266,260**	98,048,123
	₱109,778,929	₱109,369,243
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	**₱5,830,732**	₱5,612,035
Advances from related companies	**255,052**	356,542
Customers' deposits	**87,947**	83,927
Income tax payable	**2,688**	505,775
Total Current Liabilities	**6,176,419**	6,558,279
Noncurrent Liabilities		
Customers' deposits - net of current portion	**194,199**	192,877
Retirement liability	**66,873**	65,784
Net deferred tax liabilities	**22,046,595**	21,672,232
Other noncurrent liabilities	**564,477**	49,743
Total Noncurrent Liabilities	**22,872,144**	21,980,636
Total Liabilities	**29,048,563**	28,538,915

(Forward)

	June 30, 2020 Unaudited	December 31, 2019 Audited
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	₱2,842,174	₱2,842,174
Additional paid-in capital	12,769,730	12,769,730
Retained earnings	53,353,797	53,419,451
Other comprehensive income:		
Cumulative unrealized valuation gains on club shares for sale	25,023,823	25,057,294
Revaluation surplus	3,577,428	3,577,428
Accumulated remeasurement gain on retirement liability	40,340	40,957
	97,607,292	97,707,034
Less:		
Parent Company's shares held by a subsidiary	16,881,220	16,881,220
Cost of treasury shares	1,214	1,214
	80,724,858	80,824,600
Noncontrolling interests	5,508	5,728
Total Equity	80,730,366	80,830,328
	₱109,778,929	₱109,369,243
Book value per share	₱5.540	₱5.546

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except for Earnings per Share)

	For the Quarters Ended June 30		For the Six Months Period Ended June 30	
	2020 (Unaudited)	2019 (Unaudited)	**2020 (Unaudited)**	2019 (Unaudited)
REVENUES				
Real estate sales	**₱10,786**	₱72,701	**₱100,786**	₱550,710
Rental income	**97,935**	122,445	**269,059**	440,225
Service income	**122,416**	223,763	**215,809**	328,811
Interest income	**3,502**	5,472	**9,826**	13,499
Others	**4,010**	8,325	**14,270**	32,872
	238,648	432,705	**609,750**	1,366,117
COSTS AND EXPENSES				
Cost of real estate sold	**129,120**	193,235	**33,537**	345,197
Cost of services	**–**	71,543	**229,586**	316,490
General and administrative	**192,988**	297,074	**418,573**	547,515
	322,107	561,853	**681,696**	1,209,202
OTHER INCOME (EXPENSES)				
Net accounting loss on sale of Southgate	**–**	–	**–**	(7,003,266)
Finance costs	**–**	–	**–**	(190,870)
Other gains (losses) – net	**420**	11	**716**	(1,096)
	420	11	**716**	(7,195,232)
INCOME (LOSS) BEFORE INCOME TAX	**(83,039)**	(129,137)	**(71,230)**	(7,038,317)
INCOME TAX EXPENSE (BENEFIT)				
Current	**8,499**	115,677	**8,498**	665,468
Deferred	**–**	(17,440)	**–**	(2,772,613)
	8,499	98,236	**8,498**	(2,107,145)
NET INCOME (LOSS)	**(91,537)**	(227,373)	**(79,728)**	(4,931,172)
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent periods:				
Revaluation increase	**–**	–	**–**	–
Income tax effect	**–**	–	**–**	–
	–	–	**–**	–
Unrealized valuation gain on sale of club shares for sale	**–**	14,122	**(13,500)**	(8,000)
Income tax effect	**–**	(2,118)	**2,025**	1,200
	–	12,004	**(11,475)**	(6,800)
Remeasurement gain (loss) on retirement liability	**(617)**		**(617)**	–
	(617)	12,004	**(12,092)**	(6,800)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱92,154)**	(₱215,370)	**(₱91,820)**	(₱4,937,972)
Net income (loss) attributable to:				
Equity holders of the Parent Company	**(₱91,554)**	(₱228,745)	**(₱79,508)**	(₱4,930,062)
Noncontrolling interests	**16**	1,372	**(220)**	(1,110)
	(₱91,537)	(₱227,373)	**(₱79,728)**	(₱4,931,172)
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company	**(92,171)**	(216,741)	**(₱91,600)**	(₱4,936,862)
Noncontrolling interests	**16**	1,372	**(220)**	(1,110)
	(₱92,154)	(₱215,370)	**(₱91,820)**	(₱4,937,972)
Total Comprehensive Income (Loss) Per Share				
Based on weighted average number of shares outstanding	**(₱0.006)**	(₱0.015)	**₱0.006**	(₱0.339)

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	June 30	
	2020 (Unaudited)	2019 (Unaudited)
CAPITAL STOCK		
Balance at beginning and of period	**₱2,842,174**	₱2,842,174
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning and end of period	**12,769,730**	12,769,730
RETAINED EARNINGS		
Balance at beginning of period	**53,419,451**	45,295,494
Net income (loss)	**(79,508)**	(4,930,062)
Reclassification adjustments on disposal of club shares for sale	**13,854**	27,440
Balance at end of period	**53,353,797**	40,392,872
OTHER COMPREHENSIVE INCOME		
Cumulative Unrealized Valuation Gain on Club Shares for Sale		
Balance at beginning of period	**25,057,294**	22,891,678
Reclassification adjustments on disposal of clubs hares for sale	**(21,996)**	(23,324)
Unrealized valuation gain	**(11,475)**	(6,564)
Balance at end of period	**25,023,823**	22,861,790
Revaluation Surplus		
Balance at beginning and end of period	**3,577,428**	3,103,638
Accumulated Remeasurement Gain on Retirement Liability		
Balance at beginning of period	**40,957**	45,350
Remeasurement loss	**(617)**	–
Balance at end of period	**40,340**	45,350
	28,641,591	26,010,778
PARENT COMPANY'S SHARES HELD BY A SUBSIDIARY		
Balance at beginning and end of period	**(16,881,220)**	(16,881,220)
TREASURY SHARES		
Balance at beginning and end of period	**(1,214)**	(1,214)
NONCONTROLLING INTERESTS		
Balance at beginning of period	**5,728**	4,508
Share in net income	**(220)**	(1,110)
Balance at end of period	**5,508**	3,398
	₱80,730,366	₱65,136,518

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	For the quarters ended June 30	
	2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱71,230)**	(₱7,038,317)
Adjustments for:		
Net accounting loss from sale of Southgate	**–**	7,003,266
Depreciation and amortization	**124,528**	120,517
Finance costs	**–**	190,870
Interest income	**(9,826)**	(13,499)
Unrealized foreign exchange losses (gains)	**(716)**	1,09
Operating income before working capital changes	**42,756**	263,932
Decrease (increase) in:		
Trade and other receivables	**57,651**	121,729
Land and development costs and parking lots for sale	**(38,370)**	(140,949)
Other current assets	**(37,756)**	495,478
Increase in:		
Trade and other payables	**218,698**	1,605,130
Customers' deposits	**5,343**	122
Retirement liability	**471**	5,977
Net cash generated from (used for) operations	**248,793**	2,351,419
Income taxes paid	**(137,222)**	(376,186)
Interest received	**9,826**	13,499
Net cash provided by (used in) operating activities	**121,397**	1,988,732
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of club shares for sale	**22,391**	47,052
Disposal of property and equipment	**18,712**	22,680
Decrease (increase) in:		
Advances to related companies	**(152,824)**	(290,358)
Other noncurrent assets	**44,734**	(149,322)
Investment properties	**(665)**	4,491,975
Net cash provided by (used in) investing activities	**(67,652)**	4,122,027
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Long-term debt	**–**	(6,198,930)
Finance costs	**–**	(190,870)
Increase (decrease) in:		
Advances from related companies	**(101,490)**	(10,589)
Other noncurrent liabilities	**67,287**	10,619
Net cash provided by (used in) financing activities	**(34,203)**	(6,389,770)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**716**	(1,095)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**20,258**	(280,106)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and cash equivalents	**494,184**	110,157
Restricted cash	**1,175**	382,944
	495,359	493,101
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and cash equivalents	**514,434**	211,643
Restricted cash	**1,183**	1,352
	₱515,617	₱212,995

MMX "A"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARGARITO B. TEVES,** Filipino, of legal age, with address at Great Wall Advertising Building, 136 Yakal Street, Makati City, after having been sworn to in accordance with law, hereby depose and state that:

1. I am an Independent Director of Alphaland Corporation (the "Corporation").

2. I am also affiliated with the following companies:

Company	Position/Relationship	Period of Service
P.J. Lhuillier Group of Companies	Member, Strategic Committee	February 2015 to present
Petron	Independent Director	May 20, 2014 to present
Bank of Commerce	Board Adviser	July 26, 2013 to present
Atlantic Aurum Investments Philippines Corporation	Independent Director,	July 19, 2013 to present
AB Capital Investment Corp.	Independent Director	June 29, 2012 to present
San Miguel Corporation	Independent Director	June 14, 2012 to present
The Wallace Business Forum	Managing Director	March 1, 2012 to present
Think Tank, Inc.	Chairman	1998 to 2000; 2010 to present
Atok-Big Wedge Co., Inc.	Independent Director	2011 - Present
Alphaland Balesin Island Club, Inc.	Independent Director	2011 – Present
Pampanga Sugar Development Co (PASUDECO)	Director	July 2011 – Present

3. I possess all the qualifications and none of the disqualificatios to serve as an Independent Director of the Corporation as provided for in Section 38 of the Securities Regulations Code ("SRC")and its Implementing Rules and Regulations ("IRR").

4. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the SRC and its IRR.

5. I shall inform the Corporate Secretary /Assistant Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this _____day of _________________ at Makati City.

MARGARITO B. TEVES
Affiant

SUBSCRIBED AND SWORN to before me this JUN 30 2020 at Makati City, affiant exhibiting to me his TIN No. 105-549-310.

Doc No. 434
Page No. 88
Book No. 05
Series on 2020

RUBEN T. MARTINEZ
Appointment No. M-32
Notary Public for Makati City
Until December 31, 2020
Makati Post Office Bldg.
Brgy.. San Antonio, Makati City
Roll of Attorneys No. 26947

Annex "B"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOSE RAMON T. VILLARIN SJ**, Filipino, of legal age and a resident of the Jesuit Residence, Ateneo de Manila University Campus, Loyola Heights, 1108 Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **ALPHALAND CORPORATION.**

2. I am affiliated with the following companies or organizations (*including Government-Owned and Controlled Corporations*):

Company/Organization	*Position/Relationship*	*Period of Service*
Please refer to attached CV		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **ALPHALAND CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of **ALPHALAND CORPORATION** and/or its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (*where applicable*)

Name of Director/Officer/Substantial Shareholder	*Company*	*Nature of Relationship*
Not Applicable		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding. [I disclose that I am the subject of the following criminal/administrative investigation or proceeding (*as the case may be*):]

Offense Charged/Investigated	*Tribunal or Agency Involved*	*Status*

6. (*For those in government service/affiliated with a government agency or GOCC*) I have the required permission from (*head of the agency/department*) to be an independent director in **ALPHALAND CORPORATION**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **ALPHALAND CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

Done, this May 15, 2020, at ________________.

JOSE RAMON T. VILLARIN SJ
Affiant

SUBSCRIBED AND SWORN to before me this JUN 30 2020 at __________ __________, affiant personally appeared before me and exhibited to me the following competent evidence of his identity: Passport No. P5653997A issued by the Department of Foreign Affairs on 17 January 2018 at Manila, Philippines.

Doc. No. 434;
Page No. 88;
Book No. 68;
Series of 2020;

RUBEN T. MARTINEZ
Appointment No. M-32
Notary Public for Makati City
Until December 31, 2020
Makati Post Office Bldg.
Brgy.. San Antonio, Makati City
Roll of Attorneys No. 26947
IBP No. 093489 / 01.06.2020 / Pasay City
PTR No. 8117014 / 01.06.2020 / Makati City
TIN No. 172-528-629

CURRICULUM VITAE
Jose Ramon T Villarin SJ

ACADEMIC BACKGROUND

1992-1997	PhD Atmospheric Sciences	Georgia Institute of Technology, Atlanta, GA, USA
1987-1991	STB Theology	Loyola School of Theology, ADMU Campus, Loyola Heights, QC
1985-1987	MS Physics	Marquette University, Milwaukee, WI, USA
1976-1980	BS Physics	Ateneo de Manila University, Loyola Heights, QC

CURRENT LEADERSHIP POSITIONS

2011-present	President	Ateneo de Manila University
2018-	Member, Board of Directors	International Association of Jesuit Universities
2018-	Independent Director	Alphaland Corporation
2017-present	Member, Advisory Board	Sophia University
2017-present	Vice-Chair, Scientific Community/Academe	National Resilience Council
2017-present	Co-Chair	National Industry Academe Council
2016-present	Member, Board of Governors	Asian Institute of Management
2012-present	Chair, Board of Trustees	Synergeia
2012-present	Member, Natl Panel Technical Experts	Climate Change Commission
2012-present	Member, Board of Trustees	Philippine Institute of Pure and Applied Chemistry
2011-present	Member, Board of Trustees	Loyola School of Theology
2011-present	Chair, Board of Trustees	Manila Observatory
2011-present	Chair, Board of Trustees	Confucius Institute, Ateneo de Manila University
2011-present	Member, Board of Trustees	Ateneo de Naga University, Naga City

RECENT POSITIONS HELD

2015-2016	Chair, Board of Trustees	Ramon Magsaysay Award Foundation
2012-2016	Member, Board of Trustees	Metropolitan Waterworks and Sewerage System
2014-2015	Vice-Chair, Board of Trustees	Ramon Magsaysay Award Foundation
2011-2014	Member, Board of Trustees	Asian Institute of Management
2005-2011	President	Xavier University, Cagayan de Oro City
2010-2012	President	Maria Reyna-Xavier University Hospital
2005-2011	Chair, Board of Trustees	Xavier Science Foundation
2005-2011	Member, Board of Trustees	Ateneo de Davao and Ateneo de Zamboanga Universities
2007-2011	Member, Board of Trustees	Realty Investments Incorporated
2005-2011	Science adviser	Manila Observatory
2000-present	Member, Board of Trustees	Ateneo de Manila University
1997-present	Member, Board of Trustees	Manila Observatory
1997-2005	Head, Climate Studies Division; Associate Director for Research	Manila Observatory
1998-2005	Assistant/Associate Professor, Physics	Ateneo de Manila University

HONORS/AWARDS

Dec 2007	2007 Nobel Peace Prize (through membership in Intergovernmental Panel on Climate Change)
Jul 2002	Outstanding Book Award, "Disturbing Climate" (National Academy of Science and Technology)
Jul 2000	National Outstanding Young Scientist (National Academy of Science & Tech, Philippines)
Mar 1997	Best Graduate Student Research Award (School of Earth & Atmospheric Sciences, Georgia Tech)
Jan 1996	Global Change Scholar (American Meteorological Society)
Dec 1995	Outstanding Student Paper Award (American Geophysical Union Conference, San Francisco, USA)
Mar 1991	Summa cum laude (Loyola School of Theology)
Mar 1980	Magna cum laude, Class Valedictorian, Physics Departmental Award (Ateneo de Manila University)

OTHER COMMITMENTS (Past and Present)

2001-2010	Lead Reviewer, UNFCCC Expert Review Team (GHG Inventories, National Communications)
2008-present	Column writer, "God's Word Today" (Philippine Star)
2010-present	Member, National Panel of Technical Experts, Climate Change Commission (Philippines)
1988-2005	Member, *Samahang Pisika ng Pilipinas* (Physics Society of the Philippines)
2004-2007	Consultative Group of Experts for Developing Countries (UNFCCC)
2001-2005	Partnership for Clean Air (Steering Committee, Scientific Subcommittee)
1998-2005	Air & Waste Management Association (Philippine Section)

PERSONAL

Birthdate/place	30 January 1960 / Manila
Nationality	Filipino

19 March 2019

Annex "C"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **FLORENTINO M. HERRERA III**, Filipino, of legal age and a resident of 888 Yale Street, Wack Wack Village, Mandaluyong City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **ALPHALAND CORPORATION;**

2. I am affiliated, among others, with the following companies or organizations (*including Government-Owned and Controlled Corporations*):

Company/Organization	*Position/Relationship*	*Period of Service*
Herrera Teehankee & Cabrera Law Offices	Founding Partner	June 1986 - Present
Philippine Airlines, Inc.	Director	October 2014 - Present
Rizal Commercial Banking Corporation (RCBC)	Director	August 2016 - Present
Lufthansa Technik Philippines, Inc.	Director	November 2017 - Present
MacroAsia Corporation	Corporate Secretary	December 2014 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **ALPHALAND CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;

4. I am related to the following director/officer/substantial shareholder of **ALPHALAND CORPORATION** and/or its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (*where applicable*)

Name of Director/Officer/ Substantial Shareholder	*Company*	*Nature of Relationship*
N/A		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (*as the case may be*):

Offense Charged/Investigated	*Tribunal or Agency Involved*	*Status*
N/A		

6. (*For those in government service/affiliated with a government agency or GOCC*) I have the required permission from (*head of the agency/department*) to be an independent director in **ALPHALAND CORPORATION**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules;

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and

8. I shall inform the Corporate Secretary of **ALPHALAND CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 18, 2020, at ______________.

FLORENTINO M. HERRERA III
Affiant

SUBSCRIBED AND SWORN to before me this JUN 30 2020 at ______________, affiant personally appeared before me and exhibited to me the following competent evidence of his identity: Passport No. EC3606842 issued on 7 March 2015 at DFA NCR East.

RUBEN T. MARTINEZ
Appointment No. M-32
Notary Public for Makati City
Until December 31, 2020
Makati Post Office Bldg.
Brgy.. San Antonio, Makati City
Roll of Attorneys No. 26947
IBP No. 093489 / 01.06.2020 / Pasay City
PTR No. 8117014 / 01.06.2020 / Makati City
TIN No. 172-528-629

Doc. No. 437;
Page No. 84;
Book No. 8;
Series of 2020;

AHAFXO-10

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **GILBERTO C. TEODORO, JR.**, Filipino, of legal age and a resident of Nr. 18, Anahaw Road, North Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **ALPHALAND CORPORATION**

2. I am affiliated with the following companies or organizations (*including Government-Owned and Controlled Corporations*):

Company/Organization	*Position/Relationship*	*Period of Service*
Indophil Resources, Inc	Chairman of the Board	15 Feb 2017 to present
Sagittarius Mines, Inc.	Chairman	Aug 2015 to present
BDO Unibank, Inc.	Independent Director	25 Apr 2014 to present
Philippine Geothermal Production Co., Inc.	Director	2012 to present
Canlubang Sugar Estate	Director	1991 to present

3. *I possess all the qualifications and none of the disqualifications to* serve as an Independent Director of **ALPHALAND CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of **ALPHALAND CORPORATION** and/or its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (*where applicable*)

Name of Director/Officer/ Substantial Shareholder	*Company*	*Nature of Relationship*

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (*as the case may be*):

Offense Charged/Investigated	*Tribunal or Agency Involved*	*Status*

6. (*For those in government service/affiliated with a government agency or GOCC*) I have the required permission from (*head of the agency/department*) to be an independent director in **ALPHALAND CORPORATION**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of **ALPHALAND CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 15, 2020, at ______________________.

Affiant

SUBSCRIBED AND SWORN to before me this JUN 30 2020 at ______________________, affiant personally appeared before me and exhibited to me the following competent evidence of his/her identity: TIN No. 123-124-558.

Doc. No. 435;
Page No. 88;
Book No. __;
Series of 2020;

RUBEN T. MARTINEZ
Appointment No. M-32
Notary Public for Makati City
Until December 31, 2020
Makati Post Office Bldg.
Brgy.. San Antonio, Makati City
Roll of Attorneys No. 26947
IBP No. 093489 / 01.06.2020 / Pasay City
PTR No. 8117014 / 01.06.2020 / Makati City
TIN No. 172-528-629

ANNEX "G"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, GREGORIO T. YU, Filipino, of legal age and a resident of 10 Francisco Street, Corinthian Gardens, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of ALPHALAND CORPORATION
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Auto Nation Group, Inc.	Chairman	Nov. 10, 2011 to present
CATS Automobile Corp.	Chairman	June 8, 2004 to present
CATS Asian Cars, Inc.	Director	June 25, 2004 to present
American Motorcycles,Inc.	Chairman	Nov. 28, 2012 to present
Sterling Bank of Asia	Vice-Chairman and Director	June 28, 2005 to present
Philippine Bank of Communications	Director	July 1, 2011 to present
Lucky Star Network Communications Inc.	Chairman and President	Jan. 1, 1994 to present
Philippine Airlines	Director	Dec. 1, 2011 to present
PAL Holdings Inc.	Director	Oct. 1, 2014 to present
Glyph Studios, Inc.	Director	Dec. 1, 2011 to present
Unistar Credit and Finance Corporation	Director	Jan. 1, 2012 to present
ISM Communications Corporation	Director	Dec. 1, 2016 to present
APO Agua Infrustructura, Inc.	Director	2014 to present
Vantage Financial Corporation (formerly E-Business Services Inc.)	Director	Aug. 1, 2015 to present
PhilEquity Management Inc.	Director	August 1, 2013 to present
Vantage Equities Inc.	Director	Aug. 1, 2013 to present
Prople BPO Inc.	Director	Aug. 1, 2006 to present
CMB Partners Inc.	Director	Jan. 1, 2003 to present
Nexus Technologies, Inc.	Director	May 1, 2012 to present
Jupiter Systems Inc.	Director	Oct. 1, 2001 to present
Wordtext Systems Inc.	Director	Sept. 1, 2001 to present
Domestic Satellite Corp.	President	Feb. 1, 2001 to present
Ballet Philippines	Board Member	Jan. 1, 2009 to present
Manila Symphony Orchestra	Board Member	Sept. 1, 2009 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of ALPHALAND CORPORATION, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of ALPHALAND CORPORATION and/or its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

	Company	

Name of Director/Officer/ Substantial Shareholder		Nature of Relationship

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

Offense Charged/Investigated	Tribunal or Agency Involved	Status

6. (For those in government service/affiliated with a government agency or GOCC) I have the required permission from (head of the agency/department) to be an independent director in ALPHALAND CORPORATION, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of ALPHALAND CORPORATION of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 15, 2020, at Q.C..

GREGORIO T. YU
Affiant

SUBSCRIBED AND SWORN to before me this JUN 30 2020 at ________________, affiant personally appeared before me and exhibited to me the following competent evidence of his/her identity: TIN No. 107-465-655.

Doc. No. 433;
Page No. 88;
Book No. 8;
Series of 2020

RUBEN T. MARTINEZ
Appointment No. M-32
Notary Public for Makati City
Until December 31, 2020
Makati Post Office Bldg.
Brgy.. San Antonio, Makati City
Roll of Attorneys No. 26947
IBP No. 093489 / 01.06.2020 / Pasay City
PTR No. 8117014 / 01.06.2020 / Makati City
TIN No. 172-528-629

alphaland
CORPORATION

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS"

The management of **Alphaland Corporation and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible in 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.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ROBERTO V. ONGPIN
Chairman and Chief Executive Officer

CRISTINA B. ZAPANTA
Senior Vice President - Finance

Signed this 2nd day of March 2020

SUBSCRIBE AND SWORN to before me this JUN 0 3 2020 at Makati City, affiants exhibiting to me their respective identification documents, and personally known to me, follows:

NAME	PASSPORT ID NO.	DATE OF ISSUE	PLACE OF ISSUE
Roberto V. Ongpin	P0300707A	September 17, 2016	DFA Manila
Cristina B. Zapanta	P3421062A	June 22, 2017	DFA NCR East

Doc. No. 304
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Series of 2020

RUBEN T. MARTINEZ
Appointment No. M-32
Notary Public for Makati City
Until December 31, 2020
Makati Post Office Bldg.
Brgy.. San Antonio, Makati City
Roll of Attorneys No. 26947
IBP No. 093489 / 01.06.2020 / Pasay City
PTR No. 8117014 / 01.06.2020 / Makati City
TIN No. 172-528 629

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number
1 8 3 8 3 5

COMPANY NAME
A L P H A L A N D   C O R P O R A T I O N   A N D   S U B S I D I A R I E S

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*
Alphaland Makati Place, 7232 Ayala Ave. ext. cor. Malugay Street, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	Not Applicable

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	(632) 5-337-2031	–

No. of Stockholders	Annual Meeting	Calendar Year (Month / Day)
89	Last Wednesday of May	12/31

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

Name of Contact Person	Email Address	Telephone Number	Mobile Number
Ms. Cristina B. Zapanta	cbzapanta@alphaland.com.ph	(632) 5-337-2031	–

CONTACT PERSON'S ADDRESS

Alphaland Makati Place, 7232 Ayala Ave. ext. cor. Malugay Street, Makati City

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

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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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8741 Paseo de Roxas
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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Alphaland Corporation
Alphaland Makati Place
7232 Ayala Ave. ext. cor. Malugay Street
Makati City

Opinion

We have audited the accompanying consolidated financial statements of Alphaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended December 31, 2019, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the 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 ended December 31, 2019, 2018 and 2017 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 the audit 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report for the year ended December 31, 2019 is 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 these 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, these 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 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 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 the 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 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 audits.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 81207-SEC Group A
Valid until January 29, 2025
BIR Accreditation No. 08-005144-004-2019
Valid until October 16, 2022
PTR No. 8116474
Issued January 6, 2020, Makati City

March 2, 2020
Makati City, Metro Manila

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except for Book Value per Share)

	Note	December 31 2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱494,184**	₱110,157
Trade and other receivables	6	**1,589,758**	1,773,928
Land and development costs and parking lots for sale	7	**3,310,222**	3,080,140
Advances to related companies	17	**3,527,104**	3,119,379
Club shares for sale	10	**1,062,311**	1,065,311
Other current assets	8	**1,337,541**	2,189,454
Total Current Assets		**11,321,120**	11,338,369
Noncurrent Assets			
Investment in and advances to an associate	9	**12,349**	12,349
Club shares for sale - net of current portion	10	**32,496,589**	29,970,774
Investment properties	11	**54,642,253**	47,675,812
Property and equipment	12	**10,698,168**	10,174,812
Other noncurrent assets	13	**198,764**	190,584
Total Noncurrent Assets		**98,048,123**	88,024,331
		₱109,369,243	₱99,362,700
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	14	**₱5,612,035**	₱3,896,062
Advances from related companies	17	**356,542**	245,252
Current portion of:			
Customers' deposits	18	**83,927**	3,592
Long-term debt	15	**–**	1,223,962
Income tax payable		**505,775**	66,949
Total Current Liabilities		**6,558,279**	5,435,817
Noncurrent Liabilities			
Customers' deposits - net of current portion	18	**192,877**	266,111
Retirement liability	21	**65,784**	44,509
Net deferred tax liabilities	22	**21,672,232**	18,541,246
Long-term debt - net of current portion	15	**–**	4,974,969
Other noncurrent liabilities		**49,743**	29,910
Total Noncurrent Liabilities		**21,980,636**	23,856,745
Total Liabilities		**28,538,915**	29,292,562

(Forward)

	Note	December 31 2019	2018
Equity Attributable to Equity Holders of the Parent Company			
Capital stock*	16	**₱2,842,174**	₱2,842,174
Additional paid-in capital		**12,769,730**	12,769,730
Retained earnings	16	**53,419,451**	45,295,494
Other comprehensive income:			
Cumulative unrealized valuation gain on club shares for sale	10	**25,057,294**	22,891,678
Revaluation surplus	12	**3,577,428**	3,103,638
Accumulated remeasurement gain on retirement liability	21	**40,957**	45,350
		97,707,034	86,948,064
Less:			
Parent Company's shares held by a subsidiary	16	**16,881,220**	16,881,220
Cost of treasury shares	16	**1,214**	1,214
		80,824,600	70,065,630
Noncontrolling interests		**5,728**	4,508
Total Equity		**80,830,328**	70,070,138
		₱109,369,243	₱99,362,700
Book Value Per Share*	23	**₱5.546**	₱4.808

See accompanying Notes to Consolidated Financial Statements.

*The Securities and Exchange Commission approved the 10-for-1 Stock Split (Stock Split) of Alphaland Corporation on December 10, 2018. Book value per share is computed based on the total outstanding shares after the effect of the stock split. This information is intended as additional information for management reporting purposes only.

ALPHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except for Earnings per Share)

		Years Ended December 31		
	Note	2019	2018	2017
REVENUES	19			
Real estate sales		₱1,115,616	₱1,346,526	₱1,366,566
Rental income	18	853,183	1,173,732	834,780
Service income		530,538	306,838	236,974
Interest income	5	26,545	17,033	17,764
Others		50,454	33,690	27,343
		2,576,336	2,877,819	2,483,427
COSTS AND EXPENSES	20			
Cost of services		761,631	646,589	360,468
Cost of real estate sold		552,587	859,354	834,340
General and administrative		1,121,855	1,237,330	874,784
		2,436,073	2,743,273	2,069,592
OTHER INCOME (EXPENSES)				
Gain on fair value changes of investment properties	11	18,286,157	7,453,516	11,471,819
Net accounting loss on sale of Southgate	11	(7,003,266)	–	–
Finance costs	15	(190,870)	(321,345)	(365,727)
Other gains (losses) - net		(7,472)	(100,857)	51,476
		11,084,549	7,031,314	11,157,568
INCOME BEFORE INCOME TAX		11,224,812	7,165,860	11,571,403
PROVISION FOR INCOME TAX	22			
Current		826,587	68,380	58,161
Deferred		2,565,137	2,369,177	3,344,210
		3,391,724	2,437,557	3,402,371
NET INCOME		7,833,088	4,728,303	8,169,032
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent years:				
Revaluation increase	12	768,967	4,365,148	9,515
Income tax effect		(230,690)	(1,287,956)	(2,854)
		538,277	3,077,192	6,661
Unrealized valuation gain on club shares for sale	10	2,732,624	1,084,338	–
Income tax effect		(409,894)	(162,651)	–
		2,322,730	921,687	–
Remeasurement gain (loss) on retirement liability	21	(4,393)	–	22,504

(Forward)

	Note	2019	2018	2017
		Years Ended December 31		
To be reclassified to profit or loss in subsequent years:				
Reclassification adjustments on disposal of club shares for sale		₱–	₱–	(₱216,038)
Unrealized valuation gain on club shares for sale		–	–	58,146
Income tax effect		–	–	15,789
		–	–	(142,103)
		2,856,614	3,998,879	(112,938)
TOTAL COMPREHENSIVE INCOME		**₱10,689,702**	₱8,727,182	₱8,056,094
Net income attributable to:				
Equity holders of the Parent Company		**₱7,831,868**	₱4,727,912	₱8,167,662
Noncontrolling interests		**1,220**	391	1,370
		₱7,833,088	₱4,728,303	₱8,169,032
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**₱10,688,482**	₱8,726,791	₱8,054,768
Noncontrolling interests		**1,220**	391	1,326
		₱10,689,702	₱8,727,182	₱8,056,094
Total Comprehensive Income Per Share*				
Based on weighted average number of shares outstanding after the effect of stock split	23	**₱0.733**	₱0.640	₱0.633

See accompanying Notes to Consolidated Financial Statements.

*Total comprehensive income per share is computed based on weighted average number of shares outstanding after the effect of the stock split which was approved by the SEC on December 10, 2018. This information is intended as additional information for management reporting purposes only.

ALPHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Note	2019	2018	2017
		Years Ended December 31		
CAPITAL STOCK	16			
Balance at beginning of year		**₱2,842,174**	₱2,655,707	₱2,655,707
Additions		**–**	186,467	–
Balance at end of year		**2,842,174**	2,842,174	2,655,707
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**12,769,730**	10,740,079	10,739,039
Additions		**–**	2,029,651	–
Excess of acquisition price over acquired interest		**–**	–	1,040
Balance at end of year		**12,769,730**	12,769,730	10,740,079
RETAINED EARNINGS				
Balance at beginning of year		**45,295,494**	40,343,598	32,172,445
Net income		**7,831,868**	4,727,912	8,167,662
Reclassification adjustments on disposal of club shares for sale	10	**184,842**	189,059	–
Amortization of revaluation surplus		**107,247**	52,918	3,491
Changes on initial application of PFRS 9	6	**–**	(17,993)	–
Balance at end of year		**53,419,451**	45,295,494	40,343,598
OTHER COMPREHENSIVE INCOME				
Cumulative Unrealized Valuation Gain on Club Shares for Sale	10			
Balance at beginning of year		**22,891,678**	23,432,497	23,574,600
Reclassification adjustments on disposal of club shares for sale		**(157,114)**	(160,701)	(194,434)
Unrealized valuation gain		**2,322,730**	921,687	52,331
Effect of change in tax rate		**–**	(1,301,805)	–
Balance at end of year		**25,057,294**	22,891,678	23,432,497
Revaluation Surplus	12			
Balance at beginning of year		**3,103,638**	75,850	72,680
Revaluation gain		**538,277**	3,077,192	6,661
Amortization of revaluation surplus		**(64,487)**	(49,404)	(3,491)
Balance at end of year		**3,577,428**	3,103,638	75,850
Accumulated Remeasurement Gain on Retirement Liability	21			
Balance at beginning of year		**45,350**	45,350	22,846
Remeasurement gain (loss)		**(4,393)**	–	22,504
Balance at end of year		**40,957**	45,350	45,350
		28,675,679	26,040,666	23,553,697

(Forward)

	Note	Years Ended December 31 2019	2018	2017
PARENT COMPANY'S SHARES HELD BY A SUBSIDIARY	16			
Balance at beginning of year		**(₱16,881,220)**	(₱16,881,220)	(₱16,817,972)
Additions		**–**	–	(63,248)
Balance at end of year		**(16,881,220)**	(16,881,220)	(16,881,220)
TREASURY SHARES	16			
Balance at beginning of year		**(1,214)**	(1,214)	(12,214)
Reissuance		**–**	–	11,000
Balance at end of year		**(1,214)**	(1,214)	(1,214)
NONCONTROLLING INTERESTS				
Balance at beginning of year		**4,508**	4,867	4,610
Share in:				
Net income		**1,220**	391	1,370
Other comprehensive loss		**–**	–	(44)
Acquisition		**–**	(750)	(1,069)
Balance at end of year		**5,728**	4,508	4,867
		₱80,830,328	₱70,070,138	₱60,415,514

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Note	Years Ended December 31 2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱11,224,812	₱7,165,860	₱11,571,403
Adjustments for:				
Gain on fair value changes of investment properties	11	(18,286,157)	(7,453,516)	(11,471,819)
Net accounting loss from sale of Southgate	11	7,003,266	–	–
Depreciation and amortization	12	350,084	296,100	124,567
Finance costs	15	190,870	321,345	365,727
Interest income	5	(26,545)	(17,033)	(17,764)
Unrealized foreign exchange losses		741	3,584	1,117
Loss on forfeitures and cancellation	7	–	197,387	–
Gain on sale of club shares for sale	10	–	–	(123,152)
Equity in net income of an associate	9	–	–	(1,381)
Operating income before working capital changes		457,071	513,727	448,698
Decrease (increase) in:				
Trade and other receivables		179,276	(232,876)	(738,983)
Land and development costs and parking lots for sale		(188,706)	(153,290)	(537,357)
Other current assets		470,144	(15,848)	(384,624)
Increase in:				
Trade and other payables		946,227	277,383	321,031
Customers' deposits		4,064	98,594	21,142
Retirement liability		14,999	20,058	15,540
Net cash generated from (used for) operations		1,883,075	507,748	(854,553)
Income taxes paid		(387,761)	(46,718)	(17,866)
Interest received		31,439	11,893	17,764
Net cash provided by (used in) operating activities		1,526,753	472,923	(854,655)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Rescission of sale and disposal of investment properties	11	4,464,286	–	221,279
Sale of club shares for sale		111,309	215,921	158,214
Disposal of property and equipment		26,540	35,417	–
Decrease (increase) in:				
Advances to related companies		(407,725)	(342,331)	(364,306)
Other noncurrent assets		5,820	134,658	(18,904)
Investment in and advances to an associate		–	(750)	9,671
Advances to an associate		–	–	1,689
Additions to:				
Property and equipment	12	(129,596)	(1,633,160)	(435,010)
Investment properties	11	(47,836)	(208,777)	(33,459)
Software	13	(3,458)	(5,796)	–
Club shares for sale		(1,500)	(70,400)	–
Net cash provided by (used in) investing activities		4,017,840	(1,875,218)	(460,826)

(Forward)

	Note	2019	2018	2017
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt		**(₱5,322,427)**	(₱1,193,853)	(₱5,318,627)
Finance costs		**(330,808)**	(296,078)	(605,945)
Increase (decrease) in:				
Advances from related companies		**111,290**	163,488	73,071
Other noncurrent liabilities		**351**	9,792	(69,691)
Proceeds from:				
Issuance of new shares		**–**	2,216,118	–
Availments of long-term debt		**–**	782,737	6,530,142
Purchase of Parent Company shares held by a subsidiary	16	**–**	–	(63,248)
Movements in treasury shares		**–**	–	11,000
Net cash provided by (used in) financing activities		**(5,541,594)**	1,682,204	556,702
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(741)**	(3,584)	(1,117)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,258**	276,325	(759,896)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and cash equivalents	5	**110,157**	215,593	256,146
Restricted cash	8	**382,944**	1,183	720,526
		493,101	216,776	976,672
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and cash equivalents	5	**494,184**	110,157	215,593
Restricted cash	8	**1,175**	382,944	1,183
		₱495,359	₱493,101	₱216,776

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Matters

Corporate Information

Alphaland Corporation (ALPHA or Parent Company) is a holding company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 19, 1990. The principal business of ALPHA and its subsidiaries (collectively referred to as the "Group") is real property development.

The registered office address of ALPHA is at Alphaland Makati Place, 7232 Ayala Ave. ext. cor. Malugay Street, Makati City.

The consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years ended December 31, 2019, 2018 and 2017 were approved and authorized for issuance by the Executive Committee of the Board of Directors (BOD) on March 2, 2020.

ALPHA's Legal Subsidiaries as at December 31, 2019 and 2018

Company	Place of Incorporation	Nature of Business	Percentage of Ownership 2019 and 2018
Alphaland Southgate Tower, Inc. (ASTI)	Philippines	Real property development	100
Alphaland Balesin Island Resort Corporation (ABIRC)	Philippines	Real property development	100
Alphaland Makati Place, Inc. (AMPI) [a]	Philippines	Real property development	100
Alphaland Baguio Mountain Log Homes, Inc. (ABMLHI)	Philippines	Real property development	100
Alphaland Balesin International Gateway, Inc. (formerly Alphaland Balesin Gateway, Inc.) (ABIGI)	Philippines	Real property development	100
Alphaland Reclamation Corporation (ARC)	Philippines	Real property development	100
2258 Blue Holdings, Inc. (Blue Holdings) [a]	Philippines	Holding company	100
Alphaland Southgate Restaurants, Inc. (ASRI) [a]	Philippines	Restaurant operations	100
Alphaland International, Inc. (AII)	Philippines	Holding company	100
Alphaland Aviation, Inc. (AAI)	Philippines	Aviation	100
Alphaland Aviation - Pampanga, Inc. (AAPI) [b]	Philippines	Aviation	100
Aegle Wellness Center, Inc. (AWCI)	Philippines	Wellness center	100
Alphaland International, Inc. - BVI	British Virgin Islands	Holding company	100
Alphaland International, Inc. - Seychelles	Seychelles	Holding company	100
Superface Enterprises Limited	Hongkong	Holding company	100
Aegle Drugstore Inc. (ADI)	Philippines	Pharmacy	100
Choice Insurance Brokerage, Inc. (CIBI) [d]	Philippines	Insurance brokerage	100
Alphaforce Security Agency, Inc. (ASAI) [e]	Philippines	Security agency	80
Redstone Mountain Holdings Inc. (RMHI) [f]	Philippines	Holding company	100
Lodgepole Holdings, Inc. (LHI) [f]	Philippines	Holding company	100
Mt. Baguio Holding Estates Inc. (MBHEI) [f]	Philippines	Holding company	100

(Forward)

Company	Place of Incorporation	Nature of Business	Percentage of Ownership 2019 and 2018
Top of the Alpha, Inc. (Top of the Alpha) [c]	Philippines	Restaurant operations	100
The Alpha Suites, Inc. (Alpha Suites) [c]	Philippines	Real estate company	100
Pinecrest Holdings, Inc. (PHI) [f]	Philippines	Holding company	100

(a) Through ASTI
(b) Through AAI
(c) Through AMPI; Incorporated in 2018
(d) Through Blue Holdings
(e) Associate in 2016
(f) Incorporated in 2018

Events after the Reporting Period

On January 2, 2020, a group of shareholders reduced the number of their subscribed ALPHA shares from 1,864,664,240 to 466,157,500. Alpha and the shareholders executed a new Deed of Subscriptions (Deed) to supersede the previous Deed executed by the parties on June 11, 2018.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

SEC Memorandum Circular No. 14, Series of 2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) 2018-12 Implementation Issues Affecting the Real Estate Industry*, provides relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of percentage-of-completion (POC), for a period of three years. This deferral will only be applicable for real estate transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe. The Group opted to avail the relief in connection with their real estate transactions. Adoption of the PIC Q&A 2018-12 will affect the Group's measurement of POC in relation to its revenue recognition for real estate transactions.

SEC Memorandum Circular No. 4, Series of 2020, *Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23-Borrowing Cost) For Real Estate Industry*, provides relief to the real estate industry by deferring the implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23-Borrowing Cost) until December 31, 2020. Effective January 1, 2021, real estate companies will adopt the IFRIC interpretations and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. The Group opted to avail the relief in connection with their real estate transactions. Adoption of the IFRIC interpretation will result to the Group's interest expense related to asset being constructed over time being charged directly to expense.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All amounts are rounded to the nearest thousands unless otherwise stated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the following:

- Club shares for sale which are designated at fair value through other comprehensive income (FVOCI);
- Investment properties which are measured at fair value; and
- Serviced residences and aircrafts presented under "Property and equipment" account which are stated at revalued amount.

Historical cost is generally based on the fair value of the consideration given in exchange of assets and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Notes 10, 11, 12 and 25.

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – PFRS 16 replaced PAS 17, *Leases*, 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*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to depreciate the right-of-use (ROU) asset.

The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

The Group leases its hangar premises from various entities with terms of 9 years and 10 years. These are renewable upon mutual agreement of the parties.

The Group has adopted PFRS 16 using the modified retrospective approach, which requires that the cumulative effect of applying the new standard is recognized at the beginning of the year of initial application. Accordingly, the comparative information presented for 2018 and 2017 have not been restated. The lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019 ranging from 6.88% to 7.05%, depending on the lease term. ROU assets were measured at the amount equal to the lease liabilities.

The following table summarizes the ROU assets and lease liabilities recognized as at January 1, 2019 (see Note 18):

	(in Thousands)
ROU assets	₱19,482

	(in Thousands)
Current portion of lease liabilities	₱3,219
Noncurrent portion of lease liabilities	16,263
Total lease liabilities	₱19,482

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost (or, depending on the business model, at FVOCI).

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments require entities to use PFRS 9 in accounting for its long-term interests (i.e., preference shares and long-term receivables or loans for which settlement is neither planned nor likely to occur in the foreseeable future) in an associate or joint venture in which the equity method under PAS 28 is not applied. The clarification is relevant because the expected credit loss model under PFRS 9 shall be applied to these long-term interests.

- Annual Improvements to PFRS 2015 to 2017 Cycle:

  - Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11 clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.

  - Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income (OCI) or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

  - Amendments to PAS 23, *Borrowing Costs - Borrowing Costs Eligible for Capitalization* – The amendments clarify that an entity treats as part of its general borrowings any specific borrowings made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for intended use or sale are complete.

The adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

Amended PFRS in Issue But Not Yet Effective

Relevant amended PFRS which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must now include 'an input and a substantive process that together significantly contribute to the ability to create an output'. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to elements evidencing control.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Noncontrolling interests (NCI) represent the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the parent and are separately disclosed in the consolidated statements of comprehensive income. NCI pertains to the equity interest in ASAI as at December 31, 2019, 2018 and 2017 and CIBI as at December 31, 2017.

Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

If the Parent Company loses control over a subsidiary, it derecognizes the assets including goodwill, liabilities and NCI in the subsidiary. The Parent Company recognizes the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the consolidated statements of comprehensive income.

Business Combinations and Goodwill - Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any resulting gain or loss is recognized in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using settlement date accounting.

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification of Financial Instruments. Effective January 1, 2018, the Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at FVOCI. The classification of a financial asset largely depends on the Group's business model and on the purpose for which the financial instruments are acquired or incurred and whether these are quoted in an active market.

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2019 and 2018, the Group does not have financial assets and liabilities at FVPL and debt instruments measured at FVOCI.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Included in this category are cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), advances to related companies, restricted cash (presented under "Other current assets" account), advances to an associate and refundable deposits (presented under "Other noncurrent assets" account).

Financial Assets at FVOCI. Equity securities which are not held for trading may be irrevocably designated at initial recognition under the FVOCI category.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are measured at fair value with unrealized gains or losses recognized in OCI and are included under "Other comprehensive income" account in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods. On disposal of these equity securities, any cumulative valuation gains or losses will be reclassified to retained earnings.

Classified under this category are the Group's club shares for sale.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

This category includes trade and other payables (excluding deposits from sale, unearned income and statutory payables), advances from related companies, customers' deposits and long-term debt.

Impairment of Financial Assets at Amortized Cost
Effective January 1, 2018, the Group records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Group measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Trade Receivables. The Group has applied the simplified approach in measuring the ECL on trade receivables. Simplified approach requires that ECL should always be based on the lifetime ECL. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment 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.

Prior to January 1, 2018, an allowance for impairment losses is recognized when a financial asset or a group of financial assets is deemed to be impaired, i.e., if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For all reporting periods, a financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Derecognition of Financial Assets and Liabilities

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

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

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

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

Offsetting Financial Assets and Liabilities
Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Land and Development Costs and Parking Lots for Sale
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Costs include:

- Cost of the land;
- Construction and development costs; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated specifically identifiable costs to complete and the estimated costs to sell.

Other Current Assets
This account mainly consists of the excess of input value-added tax (VAT) over output VAT, advances to contractors and suppliers, creditable withholding taxes (CWT), prepayments and supplies.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

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

The net amount of tax recoverable from the taxation authority is included as part of "Other current assets" account in the consolidated statements of financial position.

Advances to Contractors and Suppliers. Advances to contractors and suppliers represent advance payments on goods and services to be incurred in connection with the Group's projects and operations. These are charged to expense or capitalized to projects in the consolidated statements of financial position, upon actual receipt of services or goods. These are considered as nonfinancial instruments as these will be applied against future billings from contractors and suppliers. Advance payments to contractors and suppliers, relating to the portion of projects that are classified as investment property and advance payments that will be applied against future billings beyond 12 months from the reporting date, are presented as part of "Other noncurrent assets" account in the consolidated statements of financial position.

CWT. CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWT is stated at its net realizable amount.

Prepayments. Prepayments are expenses not yet incurred but paid in advance. Prepayments are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as noncurrent asset.

Supplies. Supplies are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes expenditures incurred in acquiring the supplies and bringing them to their existing location and condition. Net realizable value is the current replacement cost.

Interests in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

The Group recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

Investment in an Associate

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, investment in an associate is carried in the consolidated statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

The consolidated statements of comprehensive income reflect the share in the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share in net income of the associate is shown under "Other gains (losses) - net" account in the consolidated statements of comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over an associate, the Group measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

Investment Properties

Investment properties comprise of completed properties and land for future development held by the Group to earn rentals or for capital appreciation, or both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date as determined by independent appraisers. Gains and losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which these arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy on property and equipment up to the date of change in use.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no further economic benefit is expected from its disposal. Any gain or loss on the retirement of disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Property and Equipment

Property and equipment, except land, serviced residences and aircrafts, are stated at cost less accumulated depreciation, amortization and impairment in value, if any. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

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

The Group adopted the revaluation model in measuring its serviced residences and aircrafts.

Under the revaluation model, serviced residences and aircrafts are initially recorded at cost and subsequently measured at fair value. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Additions subsequent to the last appraisal date are stated at acquisition cost.

A revaluation increase is recorded initially in OCI and accumulated to the revaluation surplus in equity. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. A revaluation decrease is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in revaluation surplus in equity in which case the decrease is recognized in OCI.

Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Each part of the property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the depreciable assets. The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

Asset Type	Number of Years
Serviced residences	50
Aircrafts	15 to 25
Buildings	20 to 40
Transportation equipment	2 to 5
Machinery, equipment and tools	2 to 15
Office furniture and equipment	2 to 5
Leasehold improvements	2 to 10 or lease term, whichever is shorter

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization is consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Construction in progress, which includes cost of construction and other direct costs, is stated at cost and is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property and equipment when the construction and other related activities necessary to prepare the assets for their intended use are completed and the assets are available for use.

Fully depreciated assets are retained in the accounts until these are no longer in use.

Software

Software is measured initially at cost. Software is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, software is measured at cost less accumulated amortization and any impairment loss.

Amortization of software is computed on a straight-line basis over the estimated useful life of five (5) years.

The amortization period and method are reviewed periodically to ensure that these are consistent with expected pattern of economic benefits from the intangible assets.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Goodwill. The Group assesses whether there are any indicators that goodwill is impaired at each financial reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU, to which the goodwill relates.

Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Investment in an Associate. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on the Group's investment in its associate. The Group determines at each financial reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognizes the amount in profit or loss under the "Equity in net income (loss) of an associate" account.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Incremental costs directly attributable to the issue of new capital stock are recognized as a deduction, net of tax, from the equity.

Retained Earnings

Retained earnings represent the cumulative balance of the Group's results of operations, reclassification adjustments on disposal of club shares for sale, amortization of revaluation surplus, and net of dividend distribution, if any.

OCI

OCI comprises of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. OCI of the Group pertains to unrealized valuation on club shares for sale, revaluation surplus and remeasurement on retirement liability.

Treasury Shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

Parent Company's Shares Held by a Subsidiary

Parent's shares which are held by a subsidiary are treated similar to treasury shares and recognized and deducted from equity at cost. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates.

Effective January 1, 2018, revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

Revenue from contracts with customers is recognized when the control of goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized.

Real Estate Sales (Starting January 1, 2018). Revenue from sale of completed projects is recognized at a point in time when the customer obtains control of the assets. Revenue from sale of real estate projects that are under pre-completion stage are generally recognized over time during the construction period (or POC). In measuring the progress of its performance obligation over time, the Group uses the output method, i.e. revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical portion of the contract work.

The Group accounts for any cash received from buyers as "Contract liabilities" account in the consolidated statements of financial position when the related performance obligation for which payment was made has not yet been performed. Excess of collections over satisfied performance obligation is also classified as contract liabilities. Contract liabilities are reduced by the amount of revenue recognized during the reporting period. Receivables that are conditional upon the performance of other obligations are recognized as "Contract assets" (presented under "Trade and other receivables" account) in the consolidated statements of financial position. Contract assets are reclassified to trade receivables upon completion of the performance obligation.

For sale of condominium units and preferred shares under a single contract to sell, the selling price is allocated to each component. Collections received are applied pro-rata based on the selling price of the condominium unit, net of VAT and interest, and the selling price of the preferred share.

Real Estate Sales (Prior to January 1, 2018). Revenue from sales of completed projects is accounted for using the full accrual method. The POC method is used to recognize revenue from sales of projects where the Group has material obligations under the sales contracts to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical portion of the contract work. Costs related to the acquisition, development, improvement and construction of the real estate projects are capitalized and are charged to operations when the related revenues are recognized.

The Group accounts for any cash received from buyers as deposits from sale of condominium units when the construction is not beyond a preliminary stage. Construction is not beyond a preliminary stage if engineering and design work, execution of construction contracts, site clearance and preparation, excavation, and completion of the building foundation are incomplete. Proceeds shall be accounted for as deposits until the criteria for POC method are met. Excess of collections over the recognized receivables are included in the "Trade and other payables" account in the consolidated statements of financial position, if expected to be applied within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent liability under "Other noncurrent liabilities" account in the consolidated statements of financial position.

Rent. Rent income from operating leases is recognized on a straight-line basis over the term of the lease. Contingent rent income is recognized when it arises. This also includes common utilities, services and maintenance charges, as well as other incidental income in providing the service.

Air Transport, Medical and Security Services. These are recognized at a point in time when the related service has been rendered.

Room Revenues. Revenue is recognized at a point in time i.e., when the room facilities are used and the related services are rendered.

Gain on Sale of Club Shares for Sale. Gain on sale of club shares for sale are recognized upon transfer of risks and rewards to the buyer.

Interest income. Interest income is recognized as the interest accrues taking into account the effective yield on the assets.

Other Income. Income from other sources is recognized at a point in time i.e., when earned during the period.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Cost of Services. Cost of services is recognized as expense when services are rendered.

Cost of Real Estate Sold. Cost of real estate sold is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the project is determined based on actual costs and project estimates of building contractors and technical staff.

Contract costs include all direct materials and labor costs and those direct costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business. These are expensed as incurred.

Finance Costs. Finance costs are recognized as they accrue. This includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated in an effective interest rate basis.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefit Costs. The Group has an unfunded, non-contributory defined benefit plan covering all qualified employees. Retirement benefit costs are actuarially determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements, and interest expense in profit or loss. Interest is calculated by applying the discount rate to the retirement liability.

Current service costs pertain to the increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses and return on plan assets are recognized immediately in OCI in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The defined retirement benefits obligation is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

Accounting policies applicable beginning January 1, 2019

The Group assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

a) the right to obtain substantially all of the economic benefits from the use of the identified asset; and
b) the right to direct the use of the identified asset.

The Group as a Lessee. At the commencement date, the Group recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value, in which case the lease payments associated with those leases are recognized as an expense in profit or loss on a straight-line basis. For leases with lease terms of 12 months or less but with an option to extend the lease, the management assesses whether there is reasonable certainty that the Group will extend the lease, by considering all relevant facts and circumstances that create an economic incentive for the lessee to extend or terminate the lease, to determine the appropriate lease term.

ROU Assets. At commencement date, the Group measures ROU assets at cost which is comprised of the following:

a) the amount of the initial measurement of lease liabilities;
b) any lease payments made at or before the commencement date less any lease incentives received;
c) any initial direct costs; and
d) an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets.

Lease Liabilities. At commencement date, the Group measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability consist of the following:

a) fixed payments, including in-substance fixed payments;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) amounts expected to be payable by the lessee under residual value guarantees; and
d) the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

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

Accounting policies applicable prior to January 1, 2019

The determination of whether a contract is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

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

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

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

Group as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

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

<u>Borrowing Costs</u>

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded. All other borrowing costs are expensed in the period these occur.

<u>Foreign Currency Denominated Transactions</u>

Transactions denominated in foreign currencies are initially recorded in Philippine Peso using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between the rate at transaction date and settlement date or reporting date are credited to or charged against profit or loss. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

<u>Income Taxes</u>

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

Deferred Tax. Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes except for:

- When it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.; or

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), only if it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in OCI or directly in equity.

Related Parties and Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period these arise.

Contingencies

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

Events after the Reporting Date

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

3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to exercise judgment, make estimates and assumptions that affect amounts of assets, liabilities, income and expenses reported in the consolidated financial statements. The judgment, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgment

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

Recognizing Revenue from Real Estate Sales Under PFRS 15. The recognition of revenue at a point in time requires certain judgment on when the customer obtains control over the promised goods and services. In determining whether control has been transferred to the customer, the Group considers the following indicators:

- The Group has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Group has transferred physical possession of the asset.

- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

For real estate sales recognized over time, the Group recognizes revenue using POC method. This method requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections and credit standing of the buyers. The POC of development is determined based on engineer's judgment and estimates on the physical portion of contract work done and that the development is beyond the preliminary stage.

Real estate sales recognized amounted to ₱1,115.6 million, ₱1,346.5 million and ₱1,366.6 million in 2019, 2018 and 2017, respectively (see Note 19).

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Group, functional currency has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates.

Determining the Classification of Lease Commitments - The Group as a Lessor. The Group entered into a number of operating lease agreements as a lessor. The Group has determined that it retains substantially all the risks and rewards of ownership of the assets being leased out under operating lease agreements.

The Group recognized rent income amounting to ₱853.2 million, ₱1,173.7 million and ₱834.8 million in 2019, 2018 and 2017, respectively (see Note 18).

Determining the Classification of Lease Commitments - The Group as a Lessee. The Group has entered into leases for hangar premises. Prior to January 1, 2019, the Group evaluated the terms and conditions of its lease agreements if there will be transfer of ownership of assets to the Group at the end of the lease term. The Group has determined that all significant risks and rewards of ownership are retained by the lessors. Thus, the leases were classified as operating leases.

Rent expense amounted to ₱4.4 million and ₱2.9 million in 2018 and 2017, respectively (see Note 18).

Determining the Classification of Financial Instruments. The Group exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Determining the Fair Value of Financial Instruments. PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity.

The fair value of the Group's financial assets and liabilities are disclosed in Note 25.

Determining the Fair Value of Investments in Clubs' Preferred Shares. The Group establishes fair value by using recent arm's length market transactions between knowledgeable, willing parties. The fair value of investments in preferred shares of the Clubs is determined based on the current cash selling price to third parties.

The Group's club shares for sale amounted to ₱33,558.9 million and ₱31,036.1 million as at December 31, 2019 and 2018, respectively (see Note 10).

Determining Control, Joint Control or Significant Influence over an Investee Company. Control is presumed to exist when an investor has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed to share control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has assessed it has control over its subsidiaries and joint control in all joint arrangements.

The Group has a 50% interest in Alphaland Heavy Equipment Corporation (AHEC) as at December 31, 2019 and 2018. The Group accounts for these investments as associate since management has assessed that there is no joint control between the parties.

Determining the Classification of Joint Arrangements. The joint venture agreement with Boy Scouts of the Philippines (BSP) is accounted for as a joint operation since the parties that have joint control of the arrangement, have rights to the assets, and obligations for the liabilities, relating to the arrangement.

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

Some properties comprise a portion that is held to earn rentals for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Determining Transfers. Transfers between investment properties, land and development costs and property and equipment of the Group are made after determining that there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or commencement of development with a view to sale. These transfers are recorded using the carrying amounts of the investment properties, land and development costs and property and equipment at the date of change in use.

The carrying amounts of nonfinancial assets transferred between investment properties, land and development costs and property and equipment are as follows:

	Note	(In Thousands)	
		2019	2018
Transfer from land and development costs to:			
Property and equipment	12	₱–	₱2,115,863
Transfers from investment properties to:			
Land and development costs	7	–	653,310
Property and equipment	12	–	2,244

Evaluating Legal Contingencies. There are on-going litigations involving the Group which management believes would not have a material adverse impact on the Group's financial condition and results of operations. The estimate of the probable costs for the resolution of possible claims have been developed in consultation with legal counsel handling the Group's defense in these matters and is based upon an analysis of potential results (see Note 26).

Estimates and Assumptions

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

Recognizing Revenue and Cost. The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost. Revenue and cost from sale of real estate recognized based on the POC are measured principally on the basis of the estimated completion of physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

Revenue from AMPI's sale of condominium units and preferred shares, ABIRC's sale of private villa and land and ABMLHI's sale of log homes under a single contract to sell are allocated to each component using the residual method.

The fair value of the preferred shares is measured at its current cash selling price to third parties on a stand-alone basis and the fair value of the condominium unit is the residual amount of the transaction price.

Revenue recognized based on POC amounted to ₱1,115.6 million, ₱1,346.5 million and ₱1,366.6 million in 2019, 2018 and 2017, respectively (see Note 19). Cost recognized based on POC amounted to ₱552.6 million, ₱859.4 million and ₱834.3 million in 2019, 2018 and 2017, respectively (see Note 20).

Assessing Impairment Losses on Trade and Other Receivables and Advances to an Associate and Related Companies. Under PFRS 9, the Group determines allowance for impairment losses based on ECL.

The Group estimates ECL on trade receivables and contract assets using a provision matrix that is based on days past due for groupings of various customer segments that have similar loss patterns. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

The Group's advances to an associate and related companies are noninterest-bearing and repayable on demand. Under PFRS 9, these credit exposures are considered to be in default when there is evidence that the related party is in significant financial difficulty such that it will not have sufficient liquid assets to repay its obligation upon demand. This is assessed based on a number of factors including key liquidity and solvency ratios. After taking into consideration the associate and related parties' ability to pay depending on the sufficiency of liquid assets, financial support from stockholders, and available forward-looking information, the risk of default of the related parties are assessed to be minimal.

Under PAS 39, *Financial Instruments: Recognition and Measurement*, the Group maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible advances. The level of this allowance is evaluated by the management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the age and status of receivables, the length of relationship, the counterparty's payment behavior and known market factors.

Impairment losses recognized on trade and other receivables amounted to ₱6.7 million, ₱4.5 million and ₱71.9 million in 2019, 2018 and 2017, respectively. The Group recognized a reversal of allowance for impairment losses amounting to ₱104.6 million in 2018 (see Note 6).

Allowance for impairment loss on trade and other receivables amounted to ₱36.5 million and ₱29.7 million as at December 31, 2019 and 2018, respectively (see Note 6). Management believes that the allowance is sufficient to cover receivable balances which are specifically identified to be doubtful of collection.

The aggregate carrying amount of trade and other receivables and advances to an associate and related companies amounted to ₱5,117.9 million and ₱4,894.3 million as at December 31, 2019 and 2018, respectively (see Notes 6, 9 and 17).

Determining the NRV of Land and Development Costs and Parking Lots for Sale. The Group writes down the carrying amount of land and development costs and parking lots for sale whenever the NRV becomes lower than cost due to changes in market prices or other causes. The NRV of projects under construction is assessed with reference to market price at reporting date for similar completed property, less estimated costs to complete the construction and estimated costs to sell. The carrying amount is reviewed regularly for any decline in value.

The carrying amount of land and development costs and parking lots for sale amounted to ₱3,310.2 million and ₱3,080.1 million as at December 31, 2019 and 2018, respectively (see Note 7).

Assessing Club Shares for Sale for Impairment. The Group assesses club shares for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or whether there are other objective evidence of impairment. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged' as a period more than 12 months. In addition, the Group evaluates other factors, including future cash flows and the discount factors for unquoted equities.

The Group's club shares for sale amounted to ₱33,558.9 million and ₱31,036.1 million as at December 31, 2019 and 2018, respectively (see Note 10).

Estimating Useful Lives of Property and Equipment. The Group estimates the useful lives of the property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives 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 these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

In 2019, the estimated useful life of serviced residences was changed from 35 years to 50 years to reflect the change in the Group's assessment of the expected economic benefits of the serviced residences and to align the useful life adopted by the industry. This resulted to a reduction of ₱8.3 million in depreciation expense of the Group (see Note 12).

There is no change in the estimated useful lives of depreciable property and equipment in 2019, 2018 and 2017. The carrying amount of property and equipment amounted to ₱10,698.2 million and ₱10,174.8 million as at December 31, 2019 and 2018, respectively (see Note 12).

Estimating Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets other than investment properties whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;

- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and,

- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

No impairment loss on nonfinancial assets was recognized in 2019, 2018 and 2017. The carrying amounts of nonfinancial assets are as follows:

	Note	(In Thousands)	
		2019	2018
Other current assets*	8	**₱1,336,366**	₱1,806,510
Investment in an associate	9	**11,326**	11,326
Property and equipment	12	**10,698,168**	10,174,812
Other noncurrent assets**	13	**133,033**	141,931

**Excluding restricted cash.*
***Excluding noncurrent portion of trade receivables and refundable deposits.*

Determining the Fair Value of Investment Properties. The Group engaged an independent appraiser to determine the fair value of its investment properties. The fair values of investment properties were based on the valuation performed in 2019, 2018 and 2017. The fair values of the land were determined using sales comparison and land development approach. Sales comparison approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. If there is limited data within the area, the independent appraiser considers the expansion of the research on properties considered comparable. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element. Land development approach is basically a discounting process wherein the present worth of the potential value of the property as "raw" land for subdivision purposes may be estimated. The fair value of properties held for lease was determined using income capitalization approach which considers income and expense data relating to the property being valued and estimated it through capitalization process. Capitalization relates income, usually a net income figure, and a defined value type by converting an income amount into a value estimate.

Further information about the assumptions made in measuring fair values of investment properties are discussed in Note 11.

Gain on fair value changes which was recognized in the consolidated statements of comprehensive income amounted to ₱18,286.2, ₱7,453.5 million and ₱11,471.8 million in 2019, 2018 and 2017, respectively. Carrying amounts of investment properties amounted to ₱54,642.3 million and ₱47,675.8 million as at December 31, 2019 and 2018, respectively (see Note 11).

Determining the Fair Value of Property and Equipment Measured at Revalued Amount. The Group engaged an independent appraiser to determine the fair value of its serviced residences and aircrafts. The fair value of the serviced residences was determined by an independent appraiser using income capitalization approach which considers income and expense data relating to the property being valued and estimated it through capitalization process. Capitalization relates income, usually a net income figure, and a defined value type by converting an income amount into a value estimate. The fair value of aircraft was determined using the market data approach. Market data approach involves gathering of cost data from original import commercial invoices as well as comparable sources of similar aircraft.

Further information about the assumptions made in measuring fair values of serviced residences and aircrafts are discussed in Note 12.

The revaluation surplus recognized in the equity section of the consolidated statements of financial position amounted to ₱3,577.4 million and ₱3,103.6 million as at December 31, 2019 and 2018, respectively. The aggregate carrying amount of serviced residences and aircraft carried at fair value amounted to ₱10,335.7 million and ₱9,786.3 million as at December 31, 2019 and 2018, respectively (see Note 12).

Determining Retirement Benefit Costs. The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 to the consolidated financial statements.

Retirement benefit expense amounted to ₱15.0 million, ₱20.1 million and ₱6.4 million in 2019, 2018 and 2017, respectively. Retirement liability amounted to ₱65.8 million and ₱44.5 million as at December 31, 2019 and 2018, respectively (see Note 21).

Assessing the Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date 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. The amount of deferred income tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

Recognized deferred tax assets of the Group amounted to ₱106.0 million and ₱6.7 million as at December 31, 2019 and 2018, respectively. Unrecognized deferred tax assets amounted to ₱186.3 million and ₱306.9 million as at December 31, 2019 and 2018, respectively (see Note 22). Management believes that it is not probable that sufficient taxable income will be available to allow all these deferred tax assets to be utilized.

4. Joint Operation

On June 30, 2008, AMPI and BSP entered into a Joint Venture Agreement to develop the Malugay Property into a first class commercial development to be known as Alphaland Makati Place (the "Project") whereby BSP shall contribute the Malugay Property while AMPI shall contribute the improvements (the "Development Costs") and its exclusive right (the "Leasehold Rights") over the Malugay Property, as well as to provide all necessary funds, equipment, materials, construction works, expertise and related undertakings for the development of the Project.

The Project consists of three high-end residential towers atop an upscale six-storey podium, the bottom half of which is a shopping center and the top half a City Club for urban sports and leisure. The Project also includes a Boy Scout Convention Center as provided in the Joint Venture Agreement. Towers 1 and 2 were completed in 2016 while Tower 3 was completed in 2017.

AMPI and BSP agreed to share at 85% and 15%, respectively, of the total gross floor area of completed and disposable units in the Project. The 85% share of AMPI shall include The City Club and the 15% share of BSP shall include the Boy Scout Convention Center.

On June 2, 2011, BSP sold the Malugay Property to AMPI for a total consideration of ₱600.0 million. The amount of consideration paid to BSP was then contributed by BSP to the development of the Project. The Leasehold Right was effectively terminated when AMPI acquired the land from BSP in June 2011. Despite the sale, the Joint Venture remained and the partners continued the 85:15 Sharing Scheme. The partners have amended the Joint Venture Agreement accordingly.

The Group accounts for the joint venture arrangement as a joint operation. As at December 31, 2019 and 2018, the Group recognized its share in the development costs of the Project (excluding the costs related to the City Club - see Note 7) in the following accounts:

	Note	(In Thousands) 2019	2018
Land and development costs and parking lots for sale	7	**₱499,633**	₱498,133
Investment properties	11	**13,806,542**	12,220,473
		₱14,306,175	₱12,718,606

On September 8, 2015, the Parties executed a Supplement to the Joint Venture Agreement. The Supplement expressly enumerates the specific units in the Project that constitute the BSP Share with respect to the Podium, Tower 1, Tower 2 and Parking Slots. The Supplement further provides that the BSP Share in Tower 3 shall be determined in another Supplement.

5. Cash and Cash Equivalents

This account consists of:

	(In Thousands)	
	2019	2018
Cash on hand and in banks	**₱91,250**	₱106,888
Short-term placements	**402,934**	3,269
	₱494,184	₱110,157

Cash in banks earn interest at prevailing bank deposit rates.

Short-term placements are made for varying periods of up to three months, depending on the immediate cash requirements of the Group and earn interest ranging from 2.0% to 6.5% in 2019 and 1.05% to 1.5% in 2018 and 2017.

Sources of interest income recognized by the Group are as follows (see Note 19):

		(In Thousands)		
	Note	**2019**	2018	2017
In-house financing	7	**₱20,172**	₱13,280	₱7,705
Cash and cash equivalents		**4,154**	804	4,173
Trade and other receivables	6	**1,909**	1,998	5,368
Restricted cash	8	**310**	951	518
		₱26,545	₱17,033	₱17,764

6. Trade and Other Receivables

This account consists of:

		(In Thousands)	
	Note	**2019**	2018
Trade receivables from:			
Real estate sales		**₱889,143**	₱990,218
Air transport services		**324,166**	334,214
Sale of club shares	10	**44,174**	55,145
Tenants	18	**51,713**	88,075
Nontrade	17	**200,098**	55,276
Advances to officers and employees		**15,198**	4,869
Contract assets		**–**	217,610
Others		**101,723**	58,246
		1,626,215	1,803,653
Less allowance for impairment losses		**(36,457)**	(29,725)
		₱1,589,758	₱1,773,928

Receivables from real estate sales and sale club shares have terms ranging from one to three years. Noncurrent portion of these receivables are presented under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 13). Amortization of interest on these receivables amounting to ₱1.9 million, ₱2.0 million and ₱5.4 million in 2019, 2018 and 2017, respectively (see Note 5). Receivable from related companies included in receivable from real estate sales amounted to ₱301.8 million as at December 31, 2018 (see Note 17).

Receivable from air transport services are unsecured, noninterest-bearing and are due and demandable. Receivable from related companies included in receivable from air transport services amounted to ₱324.2 million and ₱317.4 million as at December 31, 2019 and 2018 (see Note 17).

Receivables from tenants are noninterest-bearing and are generally on a 30-day term.

Nontrade receivables pertain to advances to related companies. Advances to related companies are unsecured, noninterest-bearing and are due and demandable (see Note 17).

Advances to officers and employees are for business purposes, noninterest-bearing and are subject to liquidation.

Contract assets are reclassified to trade receivables when payment is due from customers. Contract assets from related companies amounted to ₱150.3 million as at December 31, 2018 (see Note 17).

Other receivables mainly consist of SSS claims and miscellaneous receivables.

Allowance for impairment losses pertain to receivables from several lessees of ASTI and unit buyers of AMPI that are at least 90 days past due.

Movements of allowance for impairment losses are as follows:

	(In Thousands)		
	2019	2018	2017
Balance at beginning of year	**₱29,725**	₱111,846	₱39,906
Provisions	**6,732**	4,495	71,940
Reversal of impairment loss	**–**	(104,609)	–
Changes on initial application of PFRS 9	**–**	17,993	–
Balance at end of year	**₱36,457**	₱29,725	₱111,846

Reversal of impairment loss in 2018 pertains to forfeited sales of AMPI condominium unit, parking lots and club shares for sale with related costs amounting to ₱172.5 million, ₱12.5 million and ₱2.8 million, respectively (see Notes 7 and 10). As a result of the forfeitures, the Group recognized loss on forfeited sales amounting to ₱104.6 million (see Note 7).

7. Land and Development Costs and Parking Lots for Sale

This account consists of the following:

	(In Thousands)	
	2019	2018
Land and development costs:		
Alphaland Baguio Mountain Lodges	**₱2,438,378**	₱2,143,236
Balesin Private Villa	**372,211**	438,771
Alphaland Makati Place	**226,938**	226,938
Parking lots for sale	**272,695**	271,195
	₱3,310,222	₱3,080,140

Deposit from sale of real estate amounted to ₱2,258.5 million and ₱20.1 million as at December 31, 2019 and 2018, respectively (see Note 14).

Alphaland Baguio Mountain Lodges

Movements in land and development costs pertaining to the Alphaland Baguio Mountain Lodges Project are as follows:

		(In Thousands)	
	Note	**2019**	2018
Balance at beginning of year		**₱2,143,236**	₱1,050,767
Additions:			
Development costs		**422,979**	615,277
Capitalized borrowing costs	15	**29,757**	122,644
Cost of real estate sold	20	**(157,594)**	(298,762)
Transfers	11	**–**	653,310
Balance at end of year		**₱2,438,378**	₱2,143,236

The Alphaland Baguio Mountain Lodges Project pertains to 24.5 hectares of land situated in Benguet that is currently being developed as horizontal condominium for sale.

In 2016, due to management's decision to develop the property as horizontal condominium for sale, 13.1 hectares of the property was reclassified from "Investment properties" to "Land and development costs." In 2018 and 2017, additional 7.7 hectares and 3.7 hectares, respectively, were reclassified to this account (see Note 11).

As at December 31, 2019 and 2018, capitalized depreciation expense included as part of development costs amounted to ₱5.2 million and ₱4.8 million, respectively (see Note 12).

On October 25, 2018, the Housing and Land Use Regulatory Board (HLURB) issued a license to sell (LTS) the Alphaland Baguio Mountain Lodges project.

In November 2018, ABMLHI started to sell log homes under an in-house financing arrangement at 30% down payment, payable monthly over a maximum of 5 years with interest rate at 9% per annum.

As at December 31, 2019, ABMLHI has already sold 31 full-sized log homes and 3 quadruplex units. Interest earned from real estate sales under the in-house financing arrangement amounted to ₱20.2 million and ₱11.7 million in 2019 and 2018, respectively (see Note 5).

Balesin Private Villa

Movements in land and development costs pertaining to the Balesin Private Villa project are as follows:

	Note	(In Thousands) 2019	2018
Balance at beginning of year		**₱438,771**	₱234,816
Cost of real estate sold	20	**(394,993)**	(181,808)
Additions:			
Development costs		**321,973**	305,228
Capitalized borrowing costs	15	**6,460**	23,313
Cancelled sale		**–**	57,222
Balance at end of year		**₱372,211**	₱438,771

The Balesin Private Villa pertains to 4.4 hectares of land situated in Balesin Island that is currently being developed as properties for sale.

In 2017, due to the commencement of development on the property with a view to sell, the property was reclassified from "Investment properties" to "Land and development costs" (see Note 11).

In 2018, the Group cancelled a sale with related cost amounting to ₱57.2 million and a loss on cancellation amounting to ₱92.8 million was recognized in the consolidated statements of comprehensive income under "Other gains (losses)" account.

Alphaland Makati Place

Movements in land and development costs pertaining to the Alphaland Makati Place project are as follows:

	Note	(In Thousands) 2019	2018
Balance at beginning of year		**₱226,938**	₱2,521,042
Transfers to:			
Property and equipment	12	**–**	(2,115,863)
Cost of real estate sold	20	**–**	(350,734)
Forfeited sales	6	**–**	172,493
Balance at end of year		**₱226,938**	₱226,938

The Alphaland Makati Place Project, which is a joint venture with BSP (see Note 4), is located on a one-hectare lot along Ayala Avenue Extension corner Malugay Street, Makati City. Alphaland Makati Place consists of three residential towers atop a six-storey podium comprising of a shopping center and the City Club for sports and leisure (see Note 11). Towers 1 and 2 were completed in 2016 while Tower 3 was completed in 2017.

Project costs classified as land and development costs pertains to the Group's proportionate interest in the three residential towers of Alphaland Makati Place that are intended for sale. In 2017, the Group changed its intention to lease Tower 3 to third parties instead of selling it as a condominium unit. Accordingly, cost of Tower 3 was reclassified to "Investment properties" (see Note 11).

In May 2018, AMPI started its serviced residences operations under "The Alpha Suites." A number of condominium units of AMPI were utilized for its serviced residences. Accordingly, the costs of these units were transferred to "Property and equipment" account (see Note 12).

The Group started the pre-selling of condominium units in October 2011 for Tower 1 and in November 2013 for Tower 2. The terms and conditions of the contract to sell (CTS) involve the sale of one condominium unit and one City Club share, i.e., a preferred share of The City Club at Alphaland Makati Place, Inc. (TCCAMPI), in which ownership of the condominium unit and the City Club share are inseparable. Under the CTS, the components are sold under a single selling price with downpayment payable upon signing of the CTS and the unpaid balance payable in monthly installments for a period of three years from date of CTS. Ownership of the City Club share will allow the buyer to enjoy the amenities and facilities of the City Club.

The Housing and Land Use Regulatory Board issued the permanent LTS to AMPI for the sale of condominium units in Tower 1 of Alphaland Makati Place on October 9, 2012 and for the sale of condominium units in Tower 2 on May 27, 2014.

As discussed in Note 4, on September 8, 2015, the Parties executed a Supplement to the Joint Venture Agreement enumerating the specific units in the Project that constitute the BSP Share with respect to the Podium, Tower 1, Tower 2 and Parking Slots.

In 2018, the Group forfeited a sale with related cost amounting to ₱172.5 million and a loss on forfeiture amounting to ₱104.6 million was recognized in the consolidated statements of comprehensive income (see Note 6).

Parking Lots for Sale

Movements in parking lots for sale are as follows:

		(In Thousands)	
	Note	**2019**	2018
Balance at beginning of year		**₱271,195**	₱135,750
Purchases		**1,500**	150,998
Cost of real estate sold	20	**–**	(28,050)
Additions due to forfeited sales	6	**–**	12,497
Balance at end of year		**₱272,695**	₱271,195

In May 2016, AMPI started to sell condominium units and parking lots under the in-house financing arrangement at 5% down payment, payable monthly over a maximum of 10 years with interest rate at 8% per annum.

As at December 31, 2019, AMPI has sold 209 and 226 condominium units and parking lots, respectively. Interest earned from real estate sales under in-house financing arrangement amounted to ₱1.6 million and ₱7.7 million in 2018 and 2017, respectively (see Note 5).

8. Other Current Assets

This account consists of:

	Note	2019	2018
		(In Thousands)	
Input VAT		**₱534,600**	₱832,114
Advances to contractors and suppliers	26	**426,568**	558,461
CWT		**154,262**	248,641
Accrued rent		**90,600**	43,046
Prepayments		**65,401**	52,832
Supplies		**64,935**	71,416
Restricted cash		**1,175**	382,944
		₱1,337,541	₱2,189,454

Input VAT
Input VAT arises from the acquisition of land and payments to suppliers and contractors for the acquisition of goods and development of the Group's projects.

Advances to Contractors and Suppliers
Advances to contractors and suppliers represent advance payments to contractors for the construction and development of the Group's projects and are recouped upon every progress billing payment depending on the percentage of accomplishment. Advances to contractors and suppliers, relating to the portion of the project that is classified as investment property and to advance payments that will be applied against future billings beyond 12 months from the reporting date, amounting to ₱3.1 million and ₱1.8 million as at December 31, 2019 and 2018, respectively, are presented under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 13).

Prepayments
Prepayments include prepaid rent, insurance and commissioning fees.

Restricted Cash
Details of restricted cash are as follows:

	2019	2018
	(In Thousands)	
Escrow - environmental funds	**₱1,175**	₱1,193
Debt service reserve account (DSRA)	**–**	378,834
Escrow - license to sell	**–**	2,917
	₱1,175	₱382,944

Escrow - environmental funds represent cash deposited with Philippine Bank of Communications (PBCom), pursuant to the Environmental Compliance Certificate issued to ABIRC relating to the rehabilitation of the Project-affected area throughout the construction and maintenance of the Island Club. The funds shall be replenished annually or whenever the amount goes below 50% of the initial deposit.

The DSRA required under an Omnibus Loan and Security Agreement (OLSA) was released in 2019 when the loans were fully settled (see Note 15).

Escrow - license to sell represents cash deposited with Sterling Bank of Asia, Inc., pursuant to the license to sell issued by HLURB to ABMLHI in relation to the completion of Alphaland Baguio Mountain Lodges project (see Note 7). In 2019, HLURB approved the termination of the escrow agreement.

Interest income earned from restricted cash amounted to ₱0.3 million, ₱1.0 million and ₱0.5 million in 2019, 2018 and 2017, respectively (see Note 5).

9. Investment in and Advances to an Associate

This account consists of:

	Note	(In Thousands) 2019	2018
Investment in an associate		**₱11,326**	₱11,326
Advances to an associate	17	**1,023**	1,023
		₱12,349	₱12,349

Investment in an associate comprises of a 50% interest in AHEC whose principal activity is sale and lease of heavy equipment as at December 31, 2019 and 2018. The Group recognized its equity in net income of an associate in 2017 amounting to ₱1.4 million.

On April 5, 2013, the BOD of AHEC approved a resolution to shorten the corporate life of AHEC to four years. As at December 31, 2019, AHEC's liquidation is still in progress. The remaining carrying amount represents the Group's share in the residual net assets of AHEC.

Details of the investment are as follows:

	(In Thousands) 2019	2018
Acquisition costs:		
Balance at beginning and end of year	**₱50,000**	₱50,000
Accumulated equity in net loss:		
Balance at beginning and end of year	**(38,674)**	(38,674)
	₱11,326	₱11,326

Condensed financial information of the associate prepared on the historical basis of accounting are as follows:

	(In Thousands) 2019	2018
Current assets	**₱46,532**	₱46,532
Current liabilities	**23,888**	23,888
Net equity	**22,644**	22,644

	(In Thousands)		
	2019	2018	2017*
Revenue	₱–	₱–	₱12,042
Costs and expenses	–	–	(7,266)
Net income	₱–	₱–	₱4,776

**Including ASAI up to October 2017.*

The Group has not incurred any contingent liabilities in relation to this investment nor does the associate itself has any contingent liabilities for which the Group is contingently liable as at December 31, 2019 and 2018.

The Group has not entered into any capital commitments in relation to its investment in AHEC and did not receive any dividends from the associate in 2019, 2018 and 2017.

10. Club Shares for Sale

This account consists of:

	(In Thousands)	
	2019	2018
Unquoted Clubs' preferred shares:		
Alphaland Balesin Island Club, Inc. (ABICI)	**₱27,905,400**	₱25,379,585
TCCAMPI	**5,653,500**	5,656,500
	₱33,558,900	₱31,036,085

The rollforward analysis of the account are as follows:

	Note	(In Thousands)	
		2019	2018
Balance at beginning of year		**₱31,036,085**	₱30,064,268
Fair value adjustments		**2,732,624**	1,084,338
Sale of club shares for sale		**(211,309)**	(218,711)
Additional subscriptions		**1,500**	103,400
Additions due to forfeited sales	6	**–**	2,790
Balance at end of year		**₱33,558,900**	₱31,036,085
Current		**₱1,062,311**	₱1,065,311
Noncurrent		**32,496,589**	29,970,774
		₱33,558,900	₱31,036,085

The preferred shares held by the Group are not required to gain control of the Clubs and are intended to be disposed of over time to third parties. The preferred shareholders are entitled to name one nominee per share to become a member and avail of the amenities and facilities of the Clubs, unless as otherwise required by applicable laws. They are not entitled to vote and be voted for in all meetings of the shareholders of the Clubs. The preferred shares have preference over the issuer's common shares in the distribution of assets in case of dissolution and liquidation.

The cost of the Group's investments in the preferred shares of ABICI and TCCAMPI includes the cash consideration and the cost incurred to complete the Clubs' facilities.

a. ABICI

On February 10, 2011, ALPHA, ABIRC and ABICI entered into a Development Agreement (DA) for the development and construction of a resort club (the "Island Club"). It is agreed that ABIRC will develop and construct the Island Club with ALPHA extending any financing required for the completion of the Island Club and its amenities in exchange for the ABICI shares. ABICI agrees that the excess of the construction costs over the par value of the shares issued by ABICI shall be treated as additional paid-in capital. Furthermore, it was clarified that the ownership of the Island Club, its facilities and amenities will be transferred to ABICI as cost is incurred. In 2015, approximately 98 hectares were committed for transfer to ABICI. The transfer of certificate of title was completed in 2018 (see Note 11).

On February 24, 2011, the Philippine SEC approved ABICI's Registration Statement on the Island Club Offer Shares for the primary offering of 391 of its Class "B" preferred shares and secondary offering of its 3,519 Class "B" preferred shares (Offer Shares or Tranche 1). In 2013, the SEC approved ABICI's Amended Registration Statement to increase its offer price from ₱2,000,000 per share to ₱3,000,000 per share. ABICI filed in 2013 a Second Amended Registration Statement to further increase its offer price to ₱5,000,000, which is still subject for approval by the SEC as at December 31, 2019.

In 2012, ABIRC subscribed to additional Class "B" preferred shares of ABICI totaling 3,090 shares. As a consideration for the additional acquisitions of ABICI preferred shares, ABIRC entered into a Supplemental DA with ABICI in June 2012 increasing its obligation to complete the Island Club's facilities. By virtue of these additional subscriptions, ABIRC transferred investment properties to ABICI amounting to ₱453.3 million.

On November 12, 2012, the shareholders of ABICI approved an amendment to the ABICI's shareholder structure whereby the additional 3,090 shares with par value of ₱100 were split into 6,180 shares (Tranche 2) with a par value of ₱50 per share. As a result, ABIRC's subscription to the above 3,090 shares was converted to 6,180 shares. On January 31, 2013, the stock split was approved by the SEC.

On January 5, 2017, the SEC approved the increase in authorized capital stock of ABICI from ₱2.1 million divided into 14,000 common shares with par value of ₱100 per share, and 10,090 Class "B" preferred shares divided further into 3,910 Class "B-1" preferred shares with par value of ₱100 a share and 6,180 Class "B-2" preferred shares with par value of ₱50 a share to ₱3.0 million divided into 20,000 common shares with par value of ₱100 per share, and 15,000 Class "B" preferred shares divided further into 2,000 Class "B-1" preferred shares with par value of ₱100 per share, 12,000 Class "B-2" preferred shares with par value of ₱50 per share, and 1,000 Class "B-3" preferred shares with par value of ₱200 per share.

On May 31, 2017, ABIRC subscribed to additional 2,000 Class "B-2" preferred shares and 1,000 Class "B-3" (Tranche 3) preferred shares at a subscription price of ₱100 per share and ₱200 per share, respectively, or an aggregate amount of ₱0.4 million.

In April 2013, ABICI and ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI related to this agreement amounted to ₱1,575.5 million as at December 31, 2019 and 2018 (see Note 17). In 2015, ABICI already financed its own construction in the Island Club.

In 2019, sales of club shares for sale includes 25 Class "B-1" preferred shares with carrying amount of ₱100.0 million at the date of transaction transferred to existing Balesin Island landowners under land-for-share swap in exchange for 5 hectares of land in Balesin Island, Polillo, Quezon (see Note 11).

ABICI's Tranche 1 and Tranche 2 preferred shares entitle the holder for 14 and 7 free villa night stay in the Island Club, respectively.

The fair values of unsold shares as at December 31, 2019 and 2018 are as follows:

	2019		2018	
	Number of Shares	**Amount***	Number of Shares	Amount*
Tranche 1	**665**	**₱2,992,500**	711	₱3,199,500
Tranche 2	**11,965**	**24,912,700**	11,965	22,179,885
Tranche 3	**1,000**	**200**	1,000	200
		₱27,905,400		₱25,379,585

**Amounts in thousands.*

b. TCCAMPI

In October 2010, ASTI, AMPI and TCCAMPI entered into a DA for the development and construction of a City Club in Alphaland Makati Place. It is agreed that ASTI and/or AMPI will develop and construct the City Club with AMPI extending any financing required for its completion and amenities in exchange for the TCCAMPI shares.

On December 9, 2010, the SEC approved TCCAMPI's registration of an aggregate of 5,000 preferred shares, with issue price of ₱100 per share, comprising of 500 shares to be offered by way of primary offering and 4,500 shares by way of secondary offering.

In December 2010, ASTI, AMPI and TCCAMPI entered into a Supplemental DA to clarify that under the DA, it is AMPI who has the primary obligation to develop and construct the City Club. Moreover, it was clarified that, in consideration for the City Club's construction, TCCAMPI agrees to convert any and all advances provided by ASTI and AMPI to additional paid-in capital as cost is incurred. Furthermore, it was clarified that the ownership of the City Club, its facilities and amenities will be transferred to TCCAMPI as cost is incurred.

The City Club was fully completed in January 2014.

AMPI's club shares for sale are marked to market using the fair value of ₱1.5 million per share as at December 31, 2019 and 2018. There are 3,769 and 3,771 unsold shares as at December 31, 2019 and 2018, respectively. As at December 31, 2019 and 2018, the fair value of unsold shares amounted to ₱5,653.5 million and ₱5,656.5 million, respectively.

Unrealized Valuation Gain on Club Shares for Sale

The Group's club shares for sale is marked to market using the fair value equivalent to the cash selling price of a recent sale to the public for the unquoted preferred shares.

Movements in the unrealized gain on club shares for sale, net of related tax effect, are as follows:

	(In Thousands)	
	2019	2018
Balance at beginning of year	**₱22,891,678**	₱23,432,497
Reclassification adjustments	**(157,114)**	(160,701)
Unrealized valuation gain	**2,322,730**	921,687
Effect of change in tax rate	**–**	(1,301,805)
Balance at end of year	**₱25,057,294**	₱22,891,678

On December 19, 2017, a new tax reform law, Tax Reform for Acceleration and Inclusion (TRAIN), was approved which provides amendments to several provisions of the National Internal Revenue Code of 1997 (NIRC of 1997). This was effective beginning January 1, 2018. Capital gains tax (CGT) from sale of shares of stock not traded in local stock exchange is amended from 5% on the first ₱0.1 million and 10% in excess thereof based on the NIRC of 1997 to a flat rate of 15% under the TRAIN.

On various dates in 2019, AMPI and ABIRC sold 3 and 46 shares, respectively, with carrying amounts aggregating ₱211.4 million at respective dates of disposal in response to liquidity requirements. In 2018, AMPI and ABIRC sold 33 and 51 shares, respectively, with carrying amounts aggregating ₱218.7 million. The cumulative net gain on disposal amounting to ₱184.8 million and ₱189.1 million, gross of tax effect, was directly reclassified to retained earnings in 2019 and 2018, respectively. Gain on sale of club shares for sale amounting to ₱123.2 million in 2017 is presented in profit or loss.

Receivable arising from the sale of club shares amounted to ₱83.0 million and ₱62.7 million as at December 31, 2019 and 2018, respectively (see Notes 6 and 13). No dividends were recognized in 2019, 2018 and 2017.

As at December 31, 2019 and 2018, deposits received from buyers of club shares amounting to ₱459.7 million and ₱380.3 million, respectively, were presented under "Trade and other payables" account in the consolidated statements of financial position (see Note 14).

11. Investment Properties

Movements in this account are as follows:

		(In Thousands)	
	Note	**2019**	2018
Balance at beginning of year		**₱47,675,812**	₱40,664,073
Fair value change		**18,286,157**	7,453,516
Disposals		**(11,467,552)**	–
Additions:			
Capital expenditures		**36,121**	177,096
Purchases		**111,715**	31,681

(Forward)

	Note	(In Thousands) 2019	2018
Transfers to:			
Land and development costs	7	₱–	(₱653,310)
Property and equipment	12	–	(2,244)
Rescission of disposal		–	5,000
Balance at end of year		₱54,642,253	₱47,675,812

Investment properties carried at fair value consist of the following:

	(In Thousands) 2019	2018
Alphaland Balesin Island Property	₱21,636,715	₱9,566,450
Alphaland Makati Place:		
Tower 3	10,255,768	8,672,092
Podium	3,550,774	3,548,381
Patnangunan Property	6,779,160	5,286,260
Baguio Property	6,495,132	4,744,557
Silang Property	5,910,000	4,380,012
Atimonan Property	14,704	14,704
Alphaland Southgate Tower	–	11,463,356
	₱54,642,253	₱47,675,812

As at December 31, 2019 and 2018, the cumulative gain on fair value changes of the Group's investment properties, net of tax, amounted to ₱36,542.9 million and ₱29,972.1 million, respectively.

Alphaland Balesin Island Property

ABIRC acquired approximately 394 hectares of land in Balesin Island, Polillo, Quezon. Additional 12 hectares were also acquired via land-for-share swaps with existing Balesin Island landowners in 2012. In 2019, additional 13 hectares were acquired. Of the total land acquired, 5 hectares were acquired via land-for-share swap with existing Balesin Island landowners in exchange for 25 Class "B-1" preferred shares with carrying amount of ₱100.0 million at the date of transaction (see Note 10). This brings the total land ownership to 419 hectares and 406 hectares as at December 31, 2019 and 2018, respectively. Of this total, approximately 98 hectares were committed for transfer to ABICI in 2015. The transfer of certificate of title was completed in 2018 (see Note 10).

In 2017, ABIRC started the development of certain portions of its land for sale. Accordingly, these portions were reclassified to "Land and development costs" account (see Note 7).

Alphaland Makati Place

This represents the Podium and Tower 3 at the Alphaland Makati Place. The Podium is currently operated as a mall and is for lease to third parties (see Notes 4 and 7). In 2017, the Group reclassified Tower 3 from "Land and development costs" to "Investment property" account due to change in intention over the property from condominium units for sale to a property held for leasing. The change in management's intention was evidenced by actual change in the use of property (see Note 7).

Rent income earned from Alphaland Makati Place amounted to ₱688.5 million, ₱393.9 million and ₱94.5 million in 2019, 2018 and 2017, respectively. Direct costs related to rent income amounted to ₱118.7 million, ₱42.5 million and ₱13.7 million in 2019, 2018 and 2017, respectively, which mainly comprised of utilities and commissary costs (see Note 18).

Patnanungan Property
In 2016 and 2015, the Group acquired parcels of land aggregating approximately 385.6 hectares and 325.3 hectares of land, respectively, in Patnanungan, Quezon.

In December 2017, the Group sold 2.0 hectares to Red Sun Capital Holdings Corporation for ₱8.0 million, resulting to a gain amounting to ₱2.1 million. In 2018, the contract to sell was rescinded resulting to a loss amounting to ₱2.1 million. In December 2018, the Group acquired 42.2 hectares with a carrying amount of ₱31.7 million.

In March 2019, the Group acquired 0.06 hectares for ₱1.9 million. The total land area of the property approximates 753.2 hectares and 753.1 hectares as at December 31, 2019 and 2018, respectively.

Baguio Property
This consists of parcels of land and related transaction costs acquired by the Group (through a wholly-owned subsidiary) from various sellers in July 2015. The beneficial owner of the entire property is RVO, the majority shareholder and Chairman of ALPHA.

These parcels of land, measuring approximately 73.4 hectares as of the end of 2015, of rolling terrains are situated in Itogon, Benguet, just ten minutes from Baguio City by land. RVO likewise transferred to the Group rights to another 2.9 hectares of land to complete the total area at 76.3 hectares. The Group is developing the property into the Alphaland Baguio Mountain Lodges.

The Group acquired the property in 2015 at zonal value, or at acquisition cost of ₱106.0 million, which is substantially below the appraised value. As a consideration to RVO for having sold the property at zonal value, RVO shall have a 15% interest, to be finalized upon conclusion of the project, without need of any further investment or equity infusion. The Group will shoulder all development costs required for the project.

In 2016, due to management's decision to develop the property as a horizontal condominium for sale, 13.1 hectare of the property was reclassified to land and development costs. Additional 7.7 hectares and 3.7 hectares were reclassified to land and development costs account in 2018 and 2017, respectively (see Note 7). In 2017, 0.3 hectares were reclassified to property and equipment account due to development of clubhouse, chapel and other amenities.

In 2017, the Group started the development for the initial phase of the project and the Group also acquired additional land, measuring 4.2 hectares.

In 2019, the Group acquired additional land measuring 9.2 hectares. The total land area of the property approximates 86.7 hectares and 77.5 hectares as at December 31, 2019 and 2018, respectively. Of the total land area, 61.9 hectares and 52.7 hectares are allocated to investment property as at December 31, 2019 and 2018, respectively.

The fair value of the property based on an independent appraiser's report dated January 21, 2020, October 22, 2018, November 10, 2017 is at ₱10,500 per square meter or a total of ₱6.5 billion, ₱9,000 per square meter or a total of ₱4.7 billion, and ₱7,353 per square meter or a total of ₱4.4 billion, respectively.

Silang Property
ASTI's three parcels of land in Silang, Cavite, measuring a total of 30 hectares, more or less, is reserved for future development.

Atimonan Property
BIRC's land in Atimonan, Quezon Province, measuring a total of 21,005 square meters, more or less, is reserved for future development.

The fair value of the property as at December 31, 2015 is based on valuations performed by accredited independent appraisers. As at December 31, 2019 and 2018, management evaluated that the carrying amount of the investment property approximates the fair value as at reporting date since there were no significant changes in the condition of this property and economic environment between those dates.

Alphaland Southgate Tower
In January 2008, ASTI acquired from South China Resources, Inc. and the Puyat family two parcels of land measuring a total of 9,497 square meters, more or less, at the corner of EDSA and Chino Roces Avenue in Makati City together with the existing improvements thereon. The property is now a fully developed and operational 20-storey office tower building with a 6-storey podium known as Alphaland Southgate Tower. It was declared an Information Technology Zone on January 12, 2009 by the Philippine Economic Zone Authority, pursuant to Presidential Proclamation No. 1692 dated December 22, 2008.

Rent income from Alphaland Southgate Tower including common utilities, services and maintenance charges amounted to ₱164.7 million, ₱779.8 million and ₱740.3 million in 2019, 2018 and 2017, respectively. Direct costs related to rent income amounted to ₱35.4 million, ₱186.7 million and ₱179.1 million in 2019, 2018 and 2017, respectively, which mainly comprised of utilities and commissary costs (see Note 18).

In March 2019, the Group sold the property for net proceeds of ₱4,464.3 million resulting to a net accounting loss of ₱7,003.3 million.

The description of the valuation techniques used and key inputs to fair valuation are as follows:

Income Capitalization Approach

	Stabilized net operating income (NOI)*		Capitalization rate	
	2019	2018	**2019**	2018
Alphaland Makati Place:				
Tower 3**	**₱602,475**	₱509,911	**5.00%**	5.00%
Podium	**67,968**	67,968	**2.00%**	2.00%
Alphaland Southgate Tower	**–**	576,169	**–**	5.00%

**In thousands.*
***Reclassified from "Land and development costs" account in 2017.*

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the entity's portfolios of investment properties are:

- *Stabilized NOI:* calculation used to identify performance of an investment property that produces stable income.
- *Capitalization rate:* rate used to estimate the potential return of the investment property.

Income capitalization approach is a comparative approach, which considers income and expense data relating to the property being valued and estimated the value through a capitalization process. Capitalization relates income and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalization rates), yield or discount rates (reflecting measures of return on investment), or both.

Sensitivity Analysis. Generally, an increase (decrease) in stabilized NOI will result in an increase (decrease) to the fair value of investment property. An increase (decrease) in the capitalization rate will result in a decrease (increase) to the fair value of an investment property. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower capitalization rate resulting in a greater impact of a change in stabilized NOI than a higher capitalization rate.

Market Data Approach

Project	Class of Property	Significant Unobservable Inputs	Range	
			2019	2018
Alphaland Balesin Island	Land	Price per square meter	**₱2,300-₱10,200**	₱1,500-₱9,615
		Value adjustments (for development)	**150%-220%**	189%-339%
Atimonan	Land	Price per square meter	**₱1,200-₱3,600**	₱1,200-₱3,600
		Value adjustments	**40%-80%**	40%-80%
Patnanungan	Land	Price per square meter	**₱1,010-₱2,018**	₱1,000
		Value adjustments	**41.5%**	30%

The significant unobservable inputs to fair valuation are as follows:

Price per square meter: estimated value prevailing in the real estate market depending on the location, area, shape and time element.

Value adjustments: adjustments are made to bring the comparative values in approximation to the investment properties taking into account external factors (market conditions, competitiveness, economic condition/demand/growth, time element) and internal factors (location, size/shape/ terrain and development).

In valuing the land using sales comparison approach, records of recent sales and offerings of similar land are analyzed and comparisons were made for such factors as size, characteristic of the lot, location, quality and prospective use.

Sensitivity Analysis. The following factors were considered in determining the market value of the subject property:

- property location and neighborhood data
- present use of the property is either commercial/residential/agricultural
- quantitative market value adjustments based on external and internal factors
- highest and best use (commercial and residential building/resort and its allied development)

Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

Land Development Approach

Significant Unobservable Input	**December 31, 2019**	
	Baguio	**Silang**
Period of land development and selling program	**5 years**	**5 - 6 years**
Administrative/marketing cost	**7% of gross sales**	**12% of gross sales**
Interest rate selected for discounting	**10%**	**12%**
Developer's profit	**20% of development cost**	**20% of development cost**
Proposed selling price	**₱22,000 - ₱60,000 per unit***	**₱28,000 - ₱48,000 per sqm****
Calculated no. of subdivision lot	**300 lots**	**175 - 486 lots**
Land value/annual increment of land value	**25%**	**10%-20%**

***In thousands.**
****In absolute amounts.**

Significant Unobservable Input	December 31, 2018	
	Baguio	Silang
Period of land development and selling program	5 years	5 - 6 years
Administrative/marketing cost	7% of gross sales	12% of gross sales
Interest rate selected for discounting	14%	12%
Developer's profit	20% of development cost	20% of development cost
Proposed selling price	₱45,000 - ₱55,000 per unit*	₱18,000 - ₱26,400 per sqm**
Calculated no. of subdivision lot	320 lots	175 - 486 lots
Land value/annual increment of land value	25%	10%-20%

**In thousands.*
***In absolute amounts.*

Using the land development approach, the properties are treated as mixed-used subdivision development and the gross sales that may be expected from the proposed saleable lots are then estimated in accordance with the prevailing prices of comparable development subdivision lots within the immediate vicinity. Overhead and sales expenses, and developer's profit, the residual sales income is then attributed to the "raw" land value.

The valuation process consists of the following:

- Preparation of a subdivision study in accordance with the highest and best use concept (i.e. residential subdivision development) of the land;
- Establishment of total revenue or proceeds of sales of subdivision lots on the basis of what ready-to-build sites in similar subdivisions are selling;
- Determination of development costs consisting of clearing and grading, survey, tilting services, construction of access roads, roadways, curbs and gutters, sewerage and drainage system, water supply and electrical distribution, rip-rapping and supervision and other contingency items considering current prices for construction materials, labor, contractor's profit and overhead expenses;
- Estimation of overhead and sales expenses such as broker's commissions, promotion and advertisement, administrative and collection, taxes and miscellaneous expenses.

Sensitivity Analysis. Significant increase (decrease) in land value, proposed selling price and calculated no. of lots would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in administrative and marketing costs and developer's profit would result in a lower (higher) fair value measurement.

12. Property and Equipment

The composition and movements of this account are presented below (in thousands):

	2019									
	Serviced Residences*	Aircrafts*	Buildings	Transportation Equipment	Machinery, Equipment and Tools	Office Furniture, and Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost										
Balance at beginning of year	₱8,274,316	₱1,955,669	₱133,280	₱90,059	₱344,393	₱130,210	₱74,947	₱21,715	₱3,784	₱11,028,373
Additions	24,872	63,887	–	8,103	359	25,023	3,614	–	3,738	129,596
Revaluation increase	768,967	–	–	–	–	–	–	–	–	768,967
Disposal	–	(33,764)	–	–	–	(645)	–	–	–	(34,409)
Reclassifications		–	3,781	(28,190)	–	28,190	–	–	(3,781)	–
Balance at end of year	9,068,155	1,985,792	137,061	69,972	344,752	182,778	78,561	21,715	3,741	11,892,527
Accumulated Depreciation and Amortization										
Balance at beginning of year	124,464	319,210	21,228	42,039	234,536	78,719	33,365	–	–	853,561
Depreciation and amortization	174,034	108,289	5,148	6,521	10,865	23,137	20,673	–	–	348,667
Disposals	–	(7,743)	–	–	–	(126)	–	–	–	(7,869)
Reclassifications	–	–	–	(1,817)	–	1,817	–	–	–	–
Balance at end of year	298,498	419,756	26,376	46,743	245,401	103,547	54,038	–	–	1,194,359
Net Carrying Amount	₱8,769,657	₱1,566,036	₱110,685	₱23,229	₱99,351	₱79,231	₱24,523	₱21,715	₱3,741	₱10,698,168

**At revalued amounts.*

	Note	2018 Serviced Residences*	Aircrafts*	Buildings	Transportation Equipment	Machinery, Equipment and Tools	Office Furniture, and Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost											
Balance at beginning of year		₱–	₱1,733,573	₱128,270	₱51,830	₱294,964	₱106,135	₱40,034	₱19,471	₱12,851	₱2,387,128
Additions		1,948,836	101,982	3,466	38,229	49,429	24,075	23,610	–	3,780	2,193,407
Revaluation increase		4,245,034	120,114	–	–	–	–	–	–	–	4,365,148
Transfers from:											
Land and development costs	7	2,115,863	–	–	–	–	–	–	–	–	2,115,863
Investment properties	11	–	–	–	–	–	–	–	2,244	–	2,244
Disposal		(35,417)	–	–	–	–	–	–	–	–	(35,417)
Reclassifications		–	–	1,544	–	–	–	11,303	–	(12,847)	–
Balance at end of year		8,274,316	1,955,669	133,280	90,059	344,393	130,210	74,947	21,715	3,784	11,028,373
Accumulated Depreciation and Amortization											
Balance at beginning of year		–	198,863	17,057	34,010	222,779	62,931	19,140	–	–	554,780
Depreciation and amortization		124,464	120,347	4,171	8,029	11,757	15,788	14,225	–	–	298,781
Balance at end of year		124,464	319,210	21,228	42,039	234,536	78,719	33,365	–	–	853,561
Net Carrying Amount		₱8,149,852	₱1,636,459	₱112,052	₱48,020	₱109,857	₱51,491	₱41,582	₱21,715	₱3,784	₱10,174,812

*At revalued amounts.

In 2019, the Group changed the useful life of serviced residences to reflect the change in the Group's assessment of the expected economic benefits of the asset and to align the useful life adopted by the industry. This resulted to a reduction of ₱8.3 million in depreciation expense.

In May 2018, the Group reclassified a number of condominium units of AMPI from "Land and development costs" to "Property and equipment" account due to change in intention over the property from condominium units for sale to a property operated as serviced residences. The change in management's intention was evidenced by an actual change in use of the property (see Note 7).

Fair Value Measurement

In 2018, the Group adopted the revaluation model for the measurement of its serviced residences. The fair value of the Group's serviced residences as determined by an independent appraiser on June 27, 2019 and October 19, 2018 using the Income Capitalization Approach amounted to ₱8,835.8 million and ₱8,229.0 million, respectively. The difference between the fair value and the carrying amount of the serviced residences amounting to ₱769.0 million and ₱4,245.0 million in 2019 and 2018, respectively were recognized as revaluation increase. The fair value measurement for serviced residences has been categorized as Level 3 (significant unobservable inputs).

In 2016, the Group adopted the revaluation model for the subsequent measurement of its aircrafts. The fair value of the Group's aircrafts as determined by an independent appraiser on December 12, 2018 and November 7, 2017 using Cost Approach amounted to ₱1,446.1 million and ₱558.5 million, respectively. The difference between the fair value and the carrying amount of the aircrafts amounting to ₱120.1 million and ₱9.5 million was recognized as revaluation increase in 2018 and 2017, respectively. The fair value measurement for the Group's aircraft has been categorized as Level 3 (significant unobservable inputs).

The revaluation surplus recognized in the equity section of the consolidated statements of financial position amounted to ₱3,577.4 million and ₱3,103.6 million as at December 31, 2019 and 2018, respectively.

The carrying amount of property and equipment measured at revalued amounts had they been recognized at cost are as follows:

	(In Thousands)	
	2019	2018
Serviced residences	**₱3,896,509**	₱3,952,534
Aircrafts	**1,356,878**	1,413,192
	₱5,253,387	₱5,365,726

Income Capitalization Approach

	Stabilized net operating income (NOI)*		Capitalization rate	
	2019	2018	**2019**	2018
Serviced Residences	**₱441,788**	₱411,449	**5.00%**	5.00%

**In thousands.*

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the entity's serviced residences are:

- *Stabilized NOI:* calculation used to identify performance of a property that produces stable income.
- *Capitalization rate:* rate used to estimate the potential return of the property.

Income capitalization approach is a comparative approach, which considers income and expense data relating to the property being valued and estimated the value through a capitalization process. Capitalization relates income and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as capitalization rates), yield or discount rates (reflecting measures of return on investment), or both.

Sensitivity Analysis. Generally, an increase (decrease) in stabilized NOI will result in an increase (decrease) to the fair value of serviced residences. An increase (decrease) in the capitalization rate will result in a decrease (increase) to the fair value of serviced residences. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower capitalization rate resulting in a greater impact of a change in stabilized NOI than a higher capitalization rate.

Cost Approach

In determining the fair value of aircrafts, cost data were gathered from original import commercial invoices and as well as the comparable sources of similar machinery and equipment and used of prices and other relevant information generated by market transaction involving similar asset. The fair value was determined by reference to the replacement cost translated at the current foreign exchange rate.

Sensitivity Analysis. Significant increase (decrease) in replacement cost and exchange rate would result in a significantly higher (lower) fair value measurement.

Further information about the assumptions made in measuring fair values is included in Note 25.

Depreciation and amortization is recognized under the following accounts:

		(In Thousands)		
	Note	**2019**	2018	2017
Property and equipment		**₱348,667**	₱298,781	₱124,483
Right-of-use asset	18	**4,535**	–	–
Software	13	**2,041**	2,126	84
		₱355,243	₱300,907	₱124,567

Depreciation and amortization are allocated as follows:

		(In Thousands)		
	Note	**2019**	2018	2017
Cost of services	20	**₱276,648**	₱250,454	₱75,211
General and administrative expenses	20	**73,436**	45,646	49,356
Capitalized as part of land and development costs	7	**5,159**	4,807	–
		₱355,243	₱300,907	₱124,567

13. Other Noncurrent Assets

This account consists of:

	Note	(In Thousands) 2019	2018
Input VAT		₱90,526	₱95,321
Receivables from sale of:			
Club shares	10	38,799	7,556
Real estate	6	–	4,868
Refundable deposits		26,932	36,229
Prepayments		17,339	15,761
Right-of-use asset	18	14,947	–
Software		5,164	3,747
Advances to contractors and suppliers - net of current portion	8	3,057	1,769
Others		2,000	25,333
		₱198,764	₱190,584

Refundable deposits include billing and meter deposits to Manila Electric Company (Meralco). These are refundable upon termination of service of Meralco.

The movements in software are as follow:

	Note	(In Thousands) 2019	2018
Cost			
Balance at beginning of year		₱13,836	₱8,040
Additions		3,458	5,796
Balance at end of year		17,294	13,836
Accumulated Amortization			
Balance at beginning of year		10,089	7,963
Amortization	12	2,041	2,126
Balance at end of year		12,130	10,089
Net Carrying Amount		₱5,164	₱3,747

14. Trade and Other Payables

This account consists of:

	Note	(In Thousands) 2019	2018
Trade		₱1,939,265	₱1,777,061
Accrued expenses:			
Construction costs		174,032	186,773
Interest		15,119	188,291
Others		205,992	18,495
Deposits from sale of:			
Real estate	7	2,255,031	13,005
Preferred shares	10	459,735	380,252
Retention payable	26	379,636	409,037
Lease liability	18	4,262	–
Unearned rental income	18	1,339	105,065
Nontrade		–	560,247
Others		177,624	257,836
		₱5,612,035	₱3,896,062

Trade payables are noninterest-bearing and are due for payment within 30 to 120 days.

Accrued expenses mainly pertain to accruals for development costs and general and administrative expenses. Other payables consist of government payables. Accrued expenses and other payables are generally settled within one year.

Noncurrent portion of deposit from sale of real estate amounted to ₱3.4 million and ₱7.1 million as at December 31, 2019 and 2018, respectively, presented under "Other noncurrent liabilities" account in the consolidated statements of financial position. Deposit from related companies included in deposit from sale of real estate amounted to ₱2,192.7 million as at December 31, 2019 (see Note 17).

Nontrade payables are noninterest-bearing and are due and demandable. These pertain to purchases of assets.

15. Long-term Debt

Presented below are the details of this account:

	(In Thousands)					
	2019			2018		
Borrower	Current	Noncurrent	Total	Current	Noncurrent	Total
ALPHA	₱–	₱–	₱–	₱1,053,655	₱4,467,365	₱5,521,020
AAPI	–	–	–	48,765	118,973	167,738
AAI	–	–	–	55,310	74,831	130,141
ABMLHI	–	–	–	66,232	313,800	380,032
	₱–	₱–	₱–	₱1,223,962	₱4,974,969	₱6,198,931

ALPHA

Omnibus Loan and Security Agreement with BDO

ALPHA had an OLSA with BDO for a loan facility aggregating ₱6,726.0 million from 2017 to refinance loans and to finance new projects and working capital requirements of the Group. The loan was payable in seven years, commencing one year after initial drawdown date. Loan drawdowns aggregated ₱400.0 million and ₱6,286.0 million in 2018 and 2017.

BDO assigned the long-term loan under the OLSA with outstanding balance of ₱5,653.2 million inclusive of interest and adjustments as of January 23, 2019 to the Philippine Bank of Communications - Trust and Wealth Management Group pursuant to an Assignment Agreement on the same date.

The loan was fully settled in 2019.

Effective interest rates of the long-term debt range from 7.1% to 9.2%, 5.0% to 9.1% and 4.8% to 8.1% per annum in 2019, 2018 and 2017, respectively. Interest recognized from the long-term debt amounted to ₱163.7 million, ₱292.3 million and ₱268.2 million in 2019, 2018 and 2017, respectively. Interest expense pertaining to the refinanced loans amounted to ₱45.9 million in 2017.

Capitalized interest and other financing costs on the loans are as follows:

	Note	(In Thousands) 2019	2018	2017
Land and development costs	7	**₱36,217**	₱145,957	₱67,037
Investment properties	11	**–**	–	4,212
		₱36,217	₱145,957	₱71,249

The rate used to determine the amount of borrowing cost eligible for capitalization was 1.35%, 6.5% and 7.1% as at December 31, 2019, 2018 and 2017, respectively.

AAPI

AAPI had an Amortized Commercial Loan (ACL) agreement in 2017 with BDO Leasing and Finance, Inc. (BDOLFI) for a loan facility aggregating ₱265.2 million for the acquisition of an ATR72 Turboprop Aircraft, MSN 678 and its replacement engine. Loan drawdowns aggregated ₱244.1 million in 2017 at a fixed interest rate of 7.0% to 8.0% per annum.

Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱5.1 million, ₱16.4 million and ₱12.8 million in 2019, 2018 and 2017, respectively. The loan is payable within 60 months from the date of initial borrowing.

The loan was fully settled in 2019.

AAI

AAI also had an ACL agreement with BDOLFI for a loan facility of ₱309.0 million for the acquisition of ATR72 Turboprop Aircraft, MSN 666. AAI made a drawdown amounting to ₱266.8 million in 2016.

Interest rate of the long-term debt in 2019 is 7.04% per annum and in 2018 and 2017 ranges from 5.82% to 7.04% and 5.06% to 7.25% per annum, respectively. Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱3.6 million, ₱10.2 million and ₱13.0 million in 2019, 2018 and 2017, respectively.

The loan was fully settled in 2019.

ABMLHI

ABMLHI had a memorandum of agreement with BDO Unibank, Inc. for a CTS receivable purchase facility of ₱500.0 million to refinance existing CTS receivables.

The notes payable represents liability from assigned receivables with recourse of ABMLHI which bears an effective rate of 7% and has a term of 5 years payable. Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱6.0 million and ₱1.1 million in 2019 and 2018, respectively.

Summarized below are the details of the notes payable:

	(In Thousands) 2019	2018
Balance at beginning of year	**₱380,032**	₱–
Availments	**–**	382,737
Payments	**(380,032)**	(2,705)
	₱–	₱380,032

The loan was fully settled in 2019.

Finance costs recognized in the consolidated statements of comprehensive income are as follows:

	(In Thousands)		
	2019	2018	2017
Long-term debt	**₱178,413**	₱320,038	₱333,248
Finance charges	**9,420**	1,307	29,218
Accretion of customers' deposits	**3,037**	–	–
Others	**–**	–	3,261
	₱190,870	₱321,345	₱365,727

16. Equity

Capital Stock

The composition of ALPHA's capital stock consisting of all common shares are as follows:

	2019		2018	
	Number of Shares	**Amount***	Number of Shares	Amount*
Authorized - ₱0.1 Par Value	**50,000,000,000**	**₱5,000,000**	50,000,000,000	₱5,000,000
Issued				
Beginning of year	**28,411,738,410**	**₱2,842,174**	2,654,707,417	₱2,655,707
Additions	**10**	**–**	186,466,424	186,467
Effect of stock split	**–**	**–**	25,570,564,569	–
End of year	**28,411,738,420**	**₱2,842,174**	28,411,738,410	₱2,842,174
Parent Company's shares held by a subsidiary				
Beginning of year	**(13,834,274,790)**	**(₱16,881,220)**	(1,383,427,479)	(₱16,881,220)
Effect of stock split	**–**	**–**	(12,450,847,311)	–
End of year	**(13,834,274,790)**	**(₱16,881,220)**	(13,834,274,790)	(₱16,881,220)
Treasury				
Beginning of year	**(4,239,000)**	**(₱1,214)**	(423,900)	(₱1,214)
Effect of stock split	**–**	**–**	(3,815,100)	–
End of year	**(4,239,000)**	**(₱1,214)**	(4,239,000)	(₱1,214)
	14,573,224,630		14,573,224,620	

**In thousands.*

The total number of shareholders, which includes PCD Nominee Corporation, is 89 and 88 as at December 31, 2019 and 2018, respectively.

Parent Company's Shares Held by a Subsidiary

On June 5, 2014, Alphaland Holdings (Singapore) Pte. Limited (AH) and Masrickstar Corporation (MC) on one hand, and another group affiliated with RVO including ALPHA and ASTI (collectively, the "RVO Group") entered into a Memorandum of Agreement (MOA) to settle a shareholder dispute. Pursuant to the MOA, ALPHA, through its 100%-owned subsidiary, ASTI acquired the shares of stock of ALPHA owned by AH, MC and Credit Suisse (Singapore) Limited (Credit Suisse), another shareholder, and received ₱2,500.0 million in cash in exchange for assets and liabilities mainly comprising of 100% ownership of Alphaland Makati Tower, Inc. (AMTI); 100% ownership of Alphaland Marina Corporation (AMC) including AMC's investment in preferred shares of Alphaland Marina Club, Inc. (AMCI); 50% ownership of ABCC, the joint venture company formed by ASTI and a group led by D.M. Wenceslao & Associates, Inc. (DMWAI) (the Wenceslao Group or "WG"); and 60% interest in the unincorporated joint venture between the Group and Akean Resorts Corporation and the additional parcels of land acquired by the Group with total area of approximately 10.81 hectares.

On October 17, 2014, these assets owned by the Group were transferred to Bedfordbury Development Corporation (BDC), a newly incorporated company owned by AH and MC. AH, MC and BDC will be collectively referred to as the "AH Group."

The Group's joint venture with WG is subject to litigation because of WG's actions in causing a delay in ASTI and AMC's construction and development of the Marina Club Project. With BDC's takeover of AMC and AMCI, BDC assumed the responsibility of handling the litigation with WG.
Pursuant to the implementation of the MOA discussed above, ASTI acquired shares of stock of ALPHA owned by AH, MC and Credit Suisse amounting to ₱16,818.0 million.

In 2017, ASTI acquired additional shares of stock of ALPHA owned by a minority shareholder amounting to ₱63.2 million.

Stock Split
On January 19, 2018, ALPHA filed a 10-for-1 stock split with the SEC. On December 10, 2018, the SEC approved the application for the stock split, whereby its capital stock would be divided into ₱50.0 billion common shares with a par value ₱0.10 each share. The stock split has no dilutive effect on the proportionate percentage ownership of the shareholders.

Retained Earnings
Accumulated equity in net income of an associate and subsidiaries not available for dividend declaration amounted to ₱37,288.5 million and ₱30,063.9 million as at December 31, 2019 and 2018, respectively. Significant components of the retained earnings pertain to cumulative gain on fair value changes of investment properties.

17. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related companies. The following tables summarize the transactions with the related companies and outstanding balance arising from these transactions:

			(In Thousands)			
			2019		2018	
	Nature of Transactions	Note	Amount of Transactions	Outstanding Balances	Amount of Transactions	Outstanding Balances
Trade and other receivables						
Trade						
Related companies under common key management	Air transport services	6	₱187,227	₱324,166	₱184,348	₱317,380
	Real estate sales	6	102,554	–	202,987	301,762
				324,166		619,142
Nontrade						
Related companies under common key management	Capital expenditures, debt servicing		144,822	200,098	215,400	55,276
Contract assets						
Related companies under common key management	Real estate sales	6	–	–	286,025	150,265
				₱524,264		₱824,683

	Nature of Transactions	Note	2019 Amount of Transactions	2019 Outstanding Balances	2018 Amount of Transactions	2018 Outstanding Balances
			(In Thousands)			
Advances to						
Associate -						
AHEC	Reimbursement of expenses		₱–	₱1,023	₱–	₱1,023
Related companies under common key management	Reimbursement of expenses		₱407,725	₱3,527,104	₱647,126	₱3,119,379
Trade and other payables						
Trade						
Related companies under common key management	Acquisition of properties		₱–	₱647,301	₱2,216,117	₱647,301
	Purchases		–	–	24,699	1,143
				647,301		648,444
Deposits						
Related companies under common key management	Real estate	7	2,302,676	2,192,676	–	–
				₱2,839,977		₱648,444
Advances from						
Related companies under common key management	Purchase of assets and reimbursement of expenses		₱111,290	₱356,542	₱163,488	₱245,252

Other transactions of the Group with its related companies are as follows:

- As discussed in Note 11, RVO is the beneficial owner of certain investment properties (i.e. Baguio Property) acquired by the Group during 2015.

- In 2016, the Group entered into lease agreements with TCCAMPI and ABICI for the rental space of AWCI. In January 2017, ABICI and TCCAMPI rescinded the lease agreement and started to assume the rental charges at no cost to AWCI.

- In April 2013, ABICI and the ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI related to this agreement amounting to ₱1,575.5 million as at December 31, 2019 and 2018 is due and demandable (see Note 10).

Terms and Conditions of Transactions with Related Companies

Outstanding balances as of year-end are unsecured, noninterest-bearing and settlement occurs in cash or equity. The Group has not made any provision for impairment losses relating to the amounts owed by related companies.

Compensation of Key Management Personnel

The details of compensation of key management personnel, which include its senior vice presidents, follow:

	2019	2018	2017
	(In Thousands)		
Short-term employee benefits	**₱91,983**	₱92,254	₱83,868
Post-employment benefits	**24,804**	29,478	28,638
	₱116,787	₱121,732	₱112,506

Stock Option Plan

The Company's Stock Option Plan was approved by the BOD of the Company on June 5, 2013, and by stockholders representing more than 2/3 of the outstanding capital stock of the Company during the annual meeting held on December 3, 2014. On November 27, 2017, June 9, 2017, and December 19, 2016, the Stock Option Plan Committee awarded stock options to key officers and employees of the Group. Additional stock option awards were given on May 30, 2019, June 5, 2019, and September 18, 2019 to qualified personnel of the Group. The effectivity date of the grant is one year after an option is awarded to the employee. One-third (1/3) of the total number of shares covered by a grant to an employee shall vest upon the effectivity of the grant. Another 1/3 of the shares shall vest one year after the effectivity date and the remaining 1/3 of the shares shall vest two years after the effectivity date of the grant. The Stock Option Plan was approved by the SEC on July 24, 2019.

18. Leases

The Group as a Lessee

Hangar Leases

On June 2011, the Group and Civil Aviation Authority of the Philippines (CAAP) entered into a noncancellable lease agreement for the use of a portion of CAAP's hangar, including the appurtenant structures, with an aggregate land area of approximately 1,580 square meters for 10 years at ₱70 per square meter subject to an escalation rate of 10% per annum.

In July 2016, the Group and Clark International Airport Corporation (CIAC) entered into a noncancellable lease agreement for the lease of structure and open space with a total area of 2,590 square meters, for 9 years. The agreement requires for a minimum guaranteed lease payment plus 20% of gross rental income from sub-lessees, if any, and is subject to an escalation rate of 10% per annum.

The incremental borrowing rate applied to the lease liabilities ranges from 6.88% to 7.05%, depending on the lease term. ROU assets were measured at the amount equal to the lease liabilities at adoption date.

The balance of and movements in ROU assets as at December 31, 2019 are as follows:

	Note	(In Thousands)
Cost		
Balance at beginning of year		₱–
Impact of PFRS 16	2	19,482
Balance at end of year	2	19,482
Accumulated Amortization		
Balance at beginning of year		–
Amortization		4,535
Balance at end of year		4,535
Carrying Amount		₱14,947

The balance of and movements in lease liabilities as at December 31, 2019 are as follows:

	Note	(In Thousands)
Balance at beginning of year	2	₱–
Impact of PFRS 16		19,482
Rental payments		(4,335)
Interest		1,188
Balance at end of year		16,335
Current portion		4,262
Noncurrent portion		₱12,073

Rent expense charged to operations amounted to ₱4.4 million and ₱2.9 million in 2018 and 2017, respectively.

Operating Lease - Group as a Lessor
ASTI and AMPI entered into various operating lease agreements as a lessor covering mall and office spaces at Alphaland Southgate Tower and Alphaland Makati Place for a period of one to ten years and two to ten years, respectively, which may be renewed or extended under such new or additional terms or conditions agreed by the parties. Upon inception of the lease agreements, tenants are required to pay certain amounts of deposits. Commencement of the lease term started upon completion of construction of the mall and tower in November 2013 and November 2017, respectively.

Tenants likewise pay either a fixed monthly rent, which is calculated with reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher. The terms of the lease agreements also provide for an increase in the rent generally at the rate of 5% to 10% starting on the second year and annually thereafter for ASTI; and 5% to 7% escalation rate starting on the third year of the lease term for AMPI.

Rent income and billings for common utilities, services and maintenance charges from Alphaland Southgate Tower and Alphaland Makati Place aggregated ₱853.2 million, ₱1,173.7 million and ₱834.8 million in 2019, 2018 and 2017, respectively (see Note 11). Direct costs related to rent income aggregated ₱154.1 million, ₱229.2 million and ₱192.8 million in 2019, 2018 and 2017, respectively, which mainly comprised of utilities and commissary costs (see Note 11).

As at December 31, 2019, the estimated minimum future rental receivables under the lease agreements are as follows (in thousands):

Within one year	₱521,568
After one year but not more than five years	1,132,366
More than five years	30,348
	₱1,684,282

As at December 31, 2019 and 2018, the Group's receivable from tenants amounting to ₱51.7 million and ₱88.1 million, respectively, were presented under "Trade and other receivables" account in the consolidated statements of financial position (see Note 6).

The Group's customers' deposits on lease contracts are as follows:

	(In Thousands)	
	2019	2018
Current	**₱83,927**	₱3,592
Noncurrent	**192,877**	266,111
	₱276,804	₱269,703

Customers' deposits on lease contracts are generally equivalent to six months rental and refundable at the end of the lease term. Current portion pertains to one year operating lease agreements while noncurrent portion pertains to two to five years' operating lease agreements.

The Group recognizes the customers' deposits at fair value. The fair value of the deposit is determined based on the prevailing market rate of interest for a similar loan. The excess of the principal amount of the deposit over its fair value is accounted for as deferred lease income and amortized on a straight-line basis. The deferred lease income amounted to ₱4.7 million and ₱0.1 million as at December 31, 2019 and 2018, respectively, and is included under "Other noncurrent liabilities" account in the consolidated statements of financial position. Interest on the deposit is accounted for using the effective interest rate method.

Aside from customers' deposits paid by tenants, advance rentals generally equivalent to two months rental are also paid and included in the initial billing to tenants, which shall be applied to the monthly rental at the end of the lease term. Current portion of advance rentals amounted to ₱1.3 million and ₱105.1 million as at December 31, 2019 and 2018, respectively (see Note 14). Noncurrent portion amounting to ₱21.3 million and ₱21.0 million as at December 31, 2019 and 2018, respectively, are included under "Other noncurrent liabilities" account in the consolidated statements of financial position.

19. Revenues

This account consists of:

		(In Thousands)		
	Note	**2019**	2018	2017
Rent	18	**₱853,183**	₱1,173,732	₱834,780
Real estate sales of:				
Private Villa		**801,786**	331,250	746,556
Log homes		**313,830**	467,334	222,000
Towers 1 and 2		**–**	499,936	356,834
Parking lots		**–**	48,006	41,176
Service income:				
Air transport services		**202,110**	226,042	200,483
Room revenues		**171,567**	26,514	–
Security services		**127,205**	18,715	15,499
Medical services		**29,656**	35,567	20,992
Interest income	5	**26,545**	17,033	17,764
Others		**50,454**	33,690	27,343
		₱2,576,336	₱2,877,819	₱2,483,427

Others revenues consist mainly of commission income and income from restaurant operations.

20. Costs and Expenses

Costs and expenses are classified in the consolidated statements of comprehensive income as follows:

	Note	(In Thousands) 2019	2018	2017
Cost of services:				
Transportation		**₱231,543**	₱305,511	₱161,916
Depreciation and amortization	12	**174,035**	79,125	–
Utilities		**154,621**	229,170	192,758
Security services		**115,317**	4,229	–
Room services		**65,597**	4,243	–
Medical services		**19,340**	18,311	5,794
Others		**1,178**	6,000	–
		₱761,631	₱646,589	₱360,468
Cost of real estate sold:				
Land and development cost	7	**₱552,587**	₱831,304	₱818,365
Parking lots for sale	7	**–**	28,050	15,975
		₱552,587	₱859,354	₱834,340
General and administrative:				
Salaries and employees' benefits		**₱249,713**	₱263,319	₱219,857
Sales and marketing		**170,084**	52,644	9,496
Utilities and rent		**133,565**	140,724	109,372
Service and professional fees		**113,111**	119,025	83,394
Depreciation and amortization	12	**73,436**	45,646	49,356
Taxes and licenses		**70,094**	164,894	69,110
Travel and transportation		**63,475**	82,401	62,944
Supplies		**49,843**	12,963	14,073
Repairs and maintenance		**44,269**	73,285	39,216
Representation		**34,761**	37,989	18,261
Insurance		**11,597**	46,359	33,587
Communication		**1,089**	10,886	7,868
Donation		**–**	–	114,132
Others		**106,818**	187,195	44,118
		₱1,121,855	₱1,237,330	₱874,784

Transportation expense, security services and medical services under "Cost of services" account include depreciation amounting to ₱102.6 million, ₱171.3 million and ₱75.2 million in 2019, 2018 and 2017, respectively (see Note 12).

In December 2017, ASTI donated to Ateneo de Manila, Inc. (Ateneo), a non-stock, non-profit educational institution, real and personal property in support of the mission of Ateneo to be an educational institution with the highest level of professional competence and service in order to provide the best possible quality of formation and education to its students.

21. Retirement Liability

The Group has an unfunded defined benefit plan covering all its regular employees. Benefits are computed using an amount equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year. The retirement liability is determined using the projected unit credit method.

The latest actuarial valuation report for the retirement liability is dated January 19, 2018. The Group did not obtain an updated actuarial valuation in 2019 because the management has assessed that the effect on the consolidated financial statements of the difference between the retirement expense recognized by the Group and that resulting from an updated actuarial valuation is not significant.

The components of the retirement benefit expense included in "Salaries and employees' benefits" presented under "General and administrative" account in the consolidated statements of comprehensive income are as follows:

	(In Thousands)		
	2019	2018	2017
Retirement benefit cost:			
Current service cost	**₱12,463**	₱18,264	₱10,548
Interest cost	**2,537**	1,794	2,173
Past service cost - curtailment	**–**	–	(6,296)
	₱15,000	₱20,058	₱6,425

The components of retirement liability recognized in the consolidated statements of financial position and the changes in the present value of defined benefit obligation as at December 31 are as follows:

	(In Thousands)	
	2019	2018
Present value of defined benefit obligation:		
Balance at beginning of year	**₱44,509**	₱24,451
Current service cost	**12,463**	18,264
Remeasurement loss from financial assumptions	**6,275**	–
Interest cost	**2,537**	1,794
Balance at end of year	**₱65,784**	₱44,509

The accumulated remeasurement gain on retirement liability, net of deferred income tax, recognized in the equity section of the consolidated statements of financial position amounted to ₱41.0 million and ₱45.4 million as at December 31, 2019 and 2018, respectively.

Principal actuarial assumptions used to determine retirement benefit obligations are as follows:

	2019	2018
Discount rate	**4.66%**	5.70%
Salary increase rate	**5.00%**	5.00%

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

	(In Thousands)	
	Increase (Decrease)	
	2019	2018
Discount rate:		
Increase by 14.0% to 15.5%	**(₱801)**	(₱986)
Decrease by 11.5% to 12.5%	**954**	1,173
Salary increase rate:		
Increase by 12.9% to 14.4%	**1,792**	1,604
Decrease by 10.8% to 11.9%	**(1,579)**	(1,414)

Shown below is the maturity analysis of the undiscounted benefit payments as at year ended:

	(In Thousands)	
	2019	2018
2020	**₱1,863**	₱1,863
2021	**3,804**	3,804
2022	**2,605**	2,605
2023 to 2027	**28,310**	28,310

The average duration of the defined benefit obligation at the end of the period is 11.8 years to 12.8 years in 2019 and 2018.

22. Income Taxes

The provision for current income tax represents MCIT for ALPHA, AMPI, ABMLHI, ABIGI and AWCI in 2019, ALPHA, ABMLHI and ABIRC in 2018 and ALPHA, ASTI and ABIRC in 2017 and RCIT for other companies within the Group.

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

The following are the components of the Group's net deferred tax liabilities:

	(In Thousands)	
	2019	2018
Deferred tax liabilities:		
Cumulative gain on fair value change of investment properties	**₱15,661,225**	₱12,845,181
Unrealized valuation gain on club shares for sale	**4,421,875**	4,039,709
Revaluation surplus	**1,504,878**	1,316,947
Accumulated depreciation for tax purposes	**103,473**	190,837
Capitalized borrowing costs	**59,511**	92,861

(Forward)

	(In Thousands)	
	2019	2018
Excess rent income under operating lease computed on a straight-line basis	**₱27,180**	₱11,952
Cumulative unrealized foreign exchange gain	**110**	191
Excess of book basis over tax basis of accounting for real estate transactions	**–**	50,233
	21,778,252	18,547,911
Deferred tax assets:		
Difference of POC between accounting and tax	**51,554**	–
Accrued expense not yet deductible	**36,000**	–
NOLCO	**1,404**	–
MCIT	**8,778**	3,734
Retirement liability	**8,284**	2,931
	106,020	6,665
	₱21,672,232	₱18,541,246

The presentation of net deferred tax liabilities are as follows:

	2019	2018
Through profit or loss	**₱15,727,926**	₱13,165,154
Through OCI	**5,944,306**	5,376,092
	₱21,672,232	₱18,541,246

The following deferred tax assets were not recognized as it is not probable that sufficient taxable profit will be available to allow the benefit of the net deferred tax assets to be utilized in the future:

	(In Thousands)	
	2019	2018
NOLCO	**₱139,758**	₱240,485
Accrued rent	**18,486**	–
Retirement liability	**11,413**	7,036
Allowance for impairment loss on receivables	**9,407**	8,923
MCIT	**6,854**	18,930
Unrealized foreign exchange losses	**322**	3
Unearned income	**63**	31,550
	₱186,303	₱306,927

The details of NOLCO, which can be claimed as deduction from future taxable income, within three years from the year the NOLCO was incurred, is shown below (in thousands).

Year Incurred	Beginning Balance	Incurred	Applied/ Expired	Ending Balance	Valid Until
2019	₱–	₱164,928	₱–	₱164,928	2022
2018	371,947	–	(215,161)	156,786	2021
2017	429,670	–	(280,844)	148,826	2020
	₱801,617	₱164,928	(₱496,005)	₱470,540	

The details of MCIT which can be claimed as deduction from income tax due are as follows (in thousands):

Year Incurred	Beginning Balance	Incurred	Applied	Ending Balance	Valid Until
2019	₱–	₱8,988	₱–	₱8,988	2022
2018	16,426	–	(13,202)	3,224	2021
2017	5,941	–	(2,521)	3,420	2020
2016	297	–	(297)	–	2019
	₱22,664	₱8,988	(₱16,020)	₱15,632	

The reconciliation of income tax computed at statutory tax rate to provision for income tax shown in the consolidated statements of comprehensive income are as follows:

	(In Thousands)		
	2019	2018	2017
Income tax computed at statutory tax rate	**₱3,367,444**	₱2,180,080	₱3,471,421
Applied and expired NOLCO	**148,802**	103,790	25,790
Change in unrecognized deferred tax assets	**(120,624)**	89,702	(118,254)
Applied and expired MCIT	**16,020**	356	–
Additions to (reductions in) income tax resulting from:			
Nontaxable income	**(1,500,808)**	–	–
Nondeductible expenses and others	**1,482,229**	64,156	61,767
Interest income already subjected to final tax	**(1,339)**	(527)	(1,407)
Income subjected to CGT	**–**	–	(36,946)
	₱3,391,724	₱2,437,557	₱3,402,371

23. Total Comprehensive Income Per Share and Book Value Per Share Computation

Total comprehensive income per share is computed as follows:

	2019	2018	2017
(a) Total comprehensive income attributable to equity holders of the Parent Company (in thousands)	**₱10,688,482**	₱8,726,791	₱8,054,768
(b) Weighted average number of shares outstanding after the effect of stock split	**14,573,224,623**	13,640,892,500	12,729,642,885
Basic/diluted earnings per share (a/b)	**₱0.733**	₱0.640	₱0.633

The Group has no dilutive potential common shares outstanding, therefore basic earnings per share is the same as diluted earnings per share.

Book value per share is computed as follows:

	2019	2018
(a) Total equity (in thousands)	**₱80,830,328**	₱70,070,138
(b) Total number of shares outstanding at end of year after the effect of stock split	**14,573,224,630**	14,573,224,620
Book value per share (a/b)	**₱5.546**	₱4.808

The information presented above are intended as additional information for management reporting purposes only.

24. Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), advances to related companies, restricted cash (presented under "Other current assets" account), refundable deposits (presented under "Other noncurrent assets" account), advances to an associate, club shares for sale, trade and other payables (excluding deposits from sale, unearned rent income and statutory payables), long-term debt, customers' deposits and advances from related companies. The main purpose of these financial instruments is to provide funds for the Group's operations.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk, interest rate risk and liquidity risk from the use of its financial instruments. The Group's exposure to foreign currency risk is minimal as it does not normally enter into transactions in currencies other than its functional currency. The BOD reviews and approves the policies for managing each of these risks.

Credit Risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the Parent Company, the Group does not offer credit terms without the specific approval of the Chief Finance Officer.

With respect to credit risk arising from the other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades with recognized third parties and related parties, there is no requirement for collateral. There are no other concentrations of credit risk within the Group.

Credit Quality of Financial Assets. The credit quality of financial assets is managed by the Group using internal credit ratings such as high grade, standard grade, past due but not impaired and impaired.

High Grade - pertains to deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers accounts of good paying customers, with good credit standing and are not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Grade - other financial assets not belonging to high quality financial assets are included in this credit rating.

Past due but not impaired - pertains to financial assets where contractual payments are past due but the Group believes that impairment is not appropriate based on the probability of collection of amounts owed to the Group.

Impaired - pertains to financial assets for which the Group determines that it is probable that it will not be able to collect the amount due based on the contractual terms and agreements.

The table below shows the credit quality of the Group's financial assets as at year end:

	(In Thousands)						
	December 31, 2019						
		Neither Past Due nor Impaired					
	Total	**High Grade**	**Standard Grade**	**Total**	**Past Due but not Impaired**	**Past Due and Impaired**
Financial Assets at Amortized Cost						
Cash and cash equivalents*	**₱492,126**	**₱492,126**	**₱–**	**₱492,126**	**₱–**	**₱–**
Trade and other receivables**	**1,649,816**	**1,244,442**	**368,917**	**1,613,359**	**–**	**36,457**
Advances to an associate and related companies	**3,528,127**	**3,528,127**	**–**	**3,528,127**	**–**	**–**
Restricted cash	**1,175**	**1,175**	**–**	**1,175**	**–**	**–**
Refundable deposits	**26,932**	**26,932**	**–**	**26,932**	**–**	**–**
	5,698,176	**5,292,802**	**368,917**	**5,661,719**	**–**	**36,457**
Financial Assets at FVOCI						
Unquoted Clubs' preferred shares	**33,558,900**	**–**	**33,558,900**	**33,558,900**	**–**	**–**
	₱39,257,076	**₱5,292,802**	**₱33,927,817**	**₱39,220,619**	**₱–**	**₱36,457**

**Excluding cash on hand amounting to ₱2,058.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱15,198 and ₱38,799, respectively.*

	(In Thousands)					
	December 31, 2018					
		Neither Past Due nor Impaired				
	Total	High Grade	Standard Grade	Total	Past Due but not Impaired	Past Due and Impaired
Financial Assets at Amortized Cost						
Cash and cash equivalents*	₱107,816	₱107,816	₱–	₱107,816	₱–	₱–
Trade and other receivables**	1,811,208	1,405,306	368,917	1,774,223	7,260	29,725
Advances to an associate and related companies	3,120,402	3,120,402	–	3,120,402	–	–
Restricted cash	382,944	382,944	–	382,944	–	–
Refundable deposits	36,229	36,229	–	36,229	–	–
	5,458,599	5,052,697	368,917	5,421,614	7,260	29,725
Financial Assets at FVOCI						
Unquoted Clubs' preferred shares	31,036,085	–	31,036,085	31,036,085	–	–
	₱36,494,684	₱5,052,697	₱31,405,002	₱36,457,699	₱7,260	₱29,725

**Excluding cash on hand amounting to ₱2,341.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱4,869 and ₱12,424, respectively.*

The following are the aging analyses of financial assets as at year end:

	(In Thousands) December 31, 2019						
			Past Due But Not Impaired				Past Due
	Total	Neither Past Due nor Impaired	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	And Impaired
Financial Assets at Amortized Cost							
Cash and cash equivalents*	₱492,126	₱492,126	₱–	₱–	₱–	₱–	₱–
Trade and other receivables**	1,649,816	1,613,359	–	–	–	–	36,457
Advances to an associate and related companies	3,528,127	3,528,127	–	–	–	–	–
Restricted cash	1,175	1,175	–	–	–	–	–
Refundable deposits	26,932	26,932	–	–	–	–	–
	5,698,176	5,661,719	–	–	–	–	36,457
Financial Assets at FVOCI							
Unquoted Clubs' preferred shares	33,558,900	33,558,900	–	–	–	–	–
	₱39,257,076	₱39,220,619	₱–	₱–	₱–	₱–	₱36,457

**Excluding cash on hand amounting to ₱2,058.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱15,198 and ₱38,799, respectively.*

	(In Thousands) December 31, 2018						
			Past Due But Not Impaired				Past Due
	Total	Neither Past Due nor Impaired	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	And Impaired
Financial Assets at Amortized Cost							
Cash and cash equivalents*	₱107,816	₱107,816	₱–	₱–	₱–	₱–	₱–
Trade and other receivables**	1,811,208	1,774,223	7,260	–	–	–	29,725
Advances to an associate and related companies	3,120,402	3,120,402	–	–	–	–	–
Restricted cash	382,944	382,944	–	–	–	–	–
Refundable deposits	36,229	36,229	–	–	–	–	–
	5,458,599	5,421,614	7,260	–	–	–	29,725
Financial Assets at FVOCI							
Unquoted Clubs' preferred shares	31,036,085	1,065,311	–	–	–	29,970,774	–
	₱36,494,684	₱6,486,925	₱7,260	₱–	₱–	₱29,970,774	₱29,725

**Excluding cash on hand amounting to ₱2,341.*
***Excluding advances to officers and employees and including noncurrent portion of trade receivables amounting to ₱4,869 and ₱12,424, respectively.*

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's exposure to interest rate risk relates primarily to its financial instruments with floating interest and/or fixed interest rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Re-pricing of floating rate financial instruments is done every three to six months. Interest on fixed rate financial instruments is fixed until maturity of the instrument. The details of financial instruments that are exposed to interest rate risk are disclosed in Note 15.

The Group's exposure to the risk of changes in market interest rates relates to the Group's long-term debt subject to floating interest rates as discussed in Note 15. The loan was fully settled in 2019.

The other financial instruments of the Group are noninterest-bearing and, therefore, not subject to interest rate risk.

The following table demonstrates the sensitivity of the Group's profit before tax due to a reasonably possible change in interest rates in the next reporting period with all other variables held constant. There is no other impact on the Group's equity other than those already affecting profit and loss.

	Increase/Decrease in Interest Rate	Effect on Income before Tax	Effect on Equity
December 31, 2018	+1.0%	(₱11,735)	(₱8,215)
	−1.0%	11,735	8,215
December 31, 2017	+1.0%	(12,565)	(8,796)
	−1.0%	12,565	8,796

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time. Management is responsible for liquidity, funding, as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Group also maintains a balance between continuity of funding and flexibility. The policy of the Group is to first exhaust lines available from affiliated companies before local bank lines are availed. The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Also, the Group only places funds in the money market which are exceeding the Group requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The tables below summarize the maturity profile of the Group's financial liabilities based on undiscounted cash flows:

	(In Thousands) December 31, 2019					
	On Demand	**1–30 Days**	**31–60 Days**	**61–90 Days**	**More than 90 Days**	**Total**
Financial Liabilities						
Trade and other payables*	**₱561,522**	**₱2,334,408**	**₱–**	**₱–**	**₱–**	**₱2,895,930**
Customers' deposits	**83,927**	**–**	**–**	**–**	**192,877**	**276,804**
Advances from related companies	**356,542**	**–**	**–**	**–**	**–**	**356,542**
	₱1,001,991	**₱2,334,408**	**₱–**	**₱–**	**₱192,877**	**₱3,529,276**

***Excluding deposits from sale, unearned rent income, and statutory payables amounting to ₱2,716,105.**

	(In Thousands) December 31, 2018					
	On Demand	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Total
Financial Liabilities						
Trade and other payables*	₱487,746	₱2,798,752	₱22,330	₱–	₱–	₱3,308,828
Long-term debt	–	8,448	8,498	274,977	5,982,098	6,274,021
Customers' deposits	3,592	–	–	–	266,111	269,703
Advances from related companies	245,252	–	–	–	–	245,252
	₱736,590	₱2,807,200	₱30,828	₱274,977	₱6,248,209	₱10,097,804

**Excluding deposits from sale, unearned rent income, and statutory payables amounting to ₱587,234.*

Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain additional advances from stockholders, adjust the return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2019 and 2018. The Group monitors capital using the monthly cash position report and financial statements. The Parent Company is not subject to externally imposed capital requirements.

The components of the Group's capital are as follows:

	(In Thousands)	
	2019	2018
Layer I:		
Capital stock	**₱2,842,174**	₱2,842,174
Additional paid-in capital	**12,769,730**	12,769,730
	15,611,904	15,611,904
Layer II:		
Retained earnings - operating income	**(1,906,374)**	8,255,826
Parent Company's shares held by a subsidiary	**(16,881,220)**	(16,881,220)
Treasury shares	**(1,214)**	(1,214)
	(18,788,808)	(8,626,608)
Layer III:		
Unrealized valuation gain on club shares for sale	**25,057,294**	22,891,678
Revaluation surplus	**3,577,428**	3,103,638
Accumulated remeasurement gain on retirement liability	**40,957**	45,350
Retained earnings - gain on fair value change of investment properties	**54,563,938**	36,277,781
Retained earnings - others	**761,887**	761,887
	84,001,504	63,080,334
Total capital	**₱80,824,600**	₱70,065,630

- Layer I is composed of the Group's contributed capital;
- Layer II is composed of income from operations, excess of acquisition price over acquired interest and treasury shares; and
- Layer III is composed mainly of income from fair value changes of investment properties and unrealized valuation gain on club shares for sale.

25. Fair Value Measurements

The following table provides the fair value hierarchy of assets and liabilities measured at fair value:

		(In Thousands)				
		December 31, 2019				
				Fair value measurement using		
	Note	Carrying Amount	Fair Value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Measured at Fair Value						
Financial Assets -						
Club shares for sale	10	**₱33,558,900**	**₱33,558,900**	**₱–**	**₱33,558,900**	**₱–**
Nonfinancial Asset -						
Investment properties	11	**54,642,253**	**54,642,253**	**–**	**–**	**54,642,253**
Serviced residences	12	**8,769,657**	**8,769,657**	**–**	**–**	**8,769,657**
Aircrafts	12	**1,566,036**	**1,566,036**	**–**	**–**	**1,566,036**
Fair Values are Disclosed						
Financial Asset -						
Loans and receivables - Noncurrent trade receivables	13	**38,799**	**38,799**	**–**	**–**	**38,799**
Financial Liability -						
Customers' deposits	18	**276,804**	**276,804**	**–**	**–**	**276,804**

		(In Thousands)				
		December 31, 2018				
				Fair value measurement using		
	Note	Carrying Amount	Fair Value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Measured at Fair Value						
Financial Assets -						
Club shares for sale	10	₱31,036,085	₱31,036,085	₱–	₱31,036,085	₱–
Non-financial Asset -						
Investment properties	11	47,675,812	47,675,812	–	–	47,675,812
Serviced residences	12	8,149,852	8,149,852	–	–	8,149,852
Aircrafts	12	1,636,459	1,636,459	–	–	1,636,459
Fair Values are Disclosed						
Financial Asset -						
Loans and receivables - Noncurrent trade receivables	13	12,424	12,424	–	–	12,424
Financial Liability -						
Customers' deposits	18	269,703	269,703	–	–	269,703

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

Financial Assets (Excluding Club Shares for Sale, Noncurrent Trade Receivables and Customers' Deposits). Due to the short-term nature of these financial assets, the fair values approximate the carrying amount as at reporting date.

Club Shares for Sale. The fair values of club shares for sale were determined based on the current cash selling price to third parties.

Investment Properties. The fair values of the investment properties were based on valuations performed by accredited independent appraisers, as discussed in Note 11.

Serviced Residences. The fair values of the serviced residences were based on valuations performed by accredited independent appraisers, as discussed in Note 12.

Aircrafts. As at December 31, 2019, the management has assessed that the carrying amount of the acquired aircrafts approximates its fair value. The fair value of the aircrafts as at December 31, 2018 was based on valuation performed by accredited independent appraisers, as discussed in Note 12.

Noncurrent Trade Receivables. The fair values of noncurrent trade receivables were determined by discounting the principal amounts using risk-free interest rates.

Customers' Deposits. The fair values of customers' deposit were determined by discounting the principal amount using risk-free interest rates.

26. Commitments and Contingencies

Commitments

The Group entered into various construction contracts for the development of its projects (see Note 8). Total advances to contractors amounted to ₱429.6 million and ₱560.2 million as at December 31, 2019 and 2018, respectively (see Notes 8 and 13).

The significant construction contracts that gave rise to the advances are as follows:

	(In Thousands)		
Subsidiary	**2019**	2018	Nature
ABMLHI	**₱203,827**	₱151,716	Supply of labor, materials, equipment and all related construction works for Alphaland Baguio Mountain Lodges Project
AMPI	**98,009**	₱280,925	Civil, structural, masonry works and supply and installation of materials for Alphaland Makati Place

Retention Payable

Retention payable is based upon specifically identified construction contracts that stipulate the right of the Group to retain a portion of the progress billings of contractors. Depending on the terms of the contract, all retention payable shall be released to contractors upon 100% completion and acceptance of works normally within one year after completion. Total retention payable amounted to ₱379.6 million and ₱409.0 million as at December 31, 2019 and 2018, respectively (see Note 14). Significant contract with retention clause arises from the civil, structural and masonry works for Towers 1 to 3 and the construction of the Podium.

Contingencies

As a result of the dispute between the Group and with the WG (see Note 16), the cases have been filed against each other. However, the agreement signed by the major shareholders of ALPHA, as discussed in Note 1, includes the transfer of the Group's interest in ABCC, AMC and AMCI including the assumption by BDC of the responsibility of handling all litigation and/or settling all disputes with the WG.

Deficiency VAT Assessment for ASTI and AMPI. The Bureau of Internal Revenue (BIR) issued a Final Decision on Disputed Assessment (FDDA) to ASTI and AMPI on June 20, 2016 covering the taxable year 2014 amounting to ₱30.9 million. ASTI and AMPI filed their respective motions for reconsideration, which were subsequently denied by the BIR. ASTI and AMPI elevated the cases to the Court of Tax Appeals (CTA).

For the case against ASTI, in a Decision dated December 13, 2019, the CTA dismissed ASTI's petition. ASTI moved for reconsideration, which was denied by the CTA. ASTI's appeal is currently pending before the CTA En Banc, which is currently pending decision.

For the case against AMPI, in a Decision dated January 15, 2020, the CTA decided in favor of AMPI and cancelled the Commissioner of Internal Revenue's Decision holding AMPI liable for deficiency VAT (and compromise penalty) for the period of January 1, 2014 and June 30, 2014. The Commissioner of Internal Revenue moved for reconsideration, which is pending resolution by the CTA.

Other Legal Cases. There are certain lawsuits and claims filed by third parties against the Group which are either pending decision by the proper judicial bodies or under negotiation, the outcome of which are presently undeterminable. In the opinion of the Group's management, the ultimate disposition of these cases, disputes and assessments will not have a material adverse effect on the financial position or results of operations of the Group.

27. Note to Consolidated Statements of Cash Flows

The Group's noncash activities are presented below:

		(In Thousands)		
	Note	**2019**	2018	2017
Land-for-share swap:				
Club shares for sale	10	**₱100,000**	₱–	₱–
Investment properties	11	**100,000**	–	–
Recognition of:	18			
ROU assets		**19,482**	–	–
Lease liabilities		**19,482**	–	–
Transfers from land and development costs to:	7			
Property and equipment	12	–	2,115,863	–
Investment properties	11	–	–	2,425,353
Transfers from investment properties to:	11			
Land and development costs	7	–	653,310	327,319
Property and equipment	12	–	2,244	19,471
Forfeited sales:				
Land and development costs	7	–	172,493	–
Parking lots for sale	7	–	12,497	–
Club shares for sale	10	–	2,790	–
Cancelled sale -				
Land and development costs	7	–	57,222	–

The reconciliation of the Group's liabilities arising from financing activities is presented below:

	(In Thousands)			
	2018	**Cash Flows**	**Noncash Flows**	**2019**
Long-term debt	**₱6,198,931**	**(₱5,322,427)**	**(₱876,504)**	**₱–**
Finance cost	**188,291**	**(330,808)**	**157,636**	**15,119**
Advances from related companies	**245,252**	**111,290**	**–**	**356,542**
Other noncurrent liabilities	**29,910**	**351**	**19,482**	**49,743**
	₱6,662,384	**(₱5,541,594)**	**(₱699,386)**	**₱421,404**

	(In Thousands)			
	2017	Cash Flows	Noncash Flows	2018
Long-term debt	₱6,596,620	(₱411,116)	₱13,427	₱6,198,931
Finance cost	15,376	(296,078)	468,993	188,291
Advances from related companies	81,764	163,488	–	245,252
Other noncurrent liabilities	20,118	9,792	–	29,910
	₱6,713,878	(₱533,914)	₱482,420	₱6,662,384

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Alphaland Corporation
Alphaland Makati Place
7232 Ayala Ave. ext. cor. Malugay Street
Makati City

We have audited the accompanying consolidated financial statements of Alphaland Corporation (the Parent Company) and Subsidiaries as at December 31, 2019 and 2018 and for each of the three years ended December 31, 2019, 2018 and 2017, on which we have rendered our report dated March 2, 2020.

In compliance with the Revised Securities Regulation Code Rule 68 we are stating that as at December 31, 2019, the Parent Company has 75 stockholders owning 100 or more shares each.

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 81207-SEC Group A
Valid until January 29, 2025
BIR Accreditation No. 08-005144-004-2019
Valid until October 16, 2022
PTR No. 8116474
Issued January 6, 2020, Makati City

March 2, 2020
Makati City, Metro Manila

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

The Stockholders and the Board of Directors
Alphaland Corporation
Alphaland Makati Place
7232 Ayala Ave. ext. cor. Malugay Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alphaland Corporation and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years ended December 31, 2019, 2018 and 2017 and have issued our report thereon dated March 2, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration for submission to the Securities and Exchange Commission is the responsibility of the Group's management.

The supplementary schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic consolidated financial statements. The supplementary schedule 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.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 81207-SEC Group A
Valid until January 29, 2025
BIR Accreditation No. 08-005144-004-2019
Valid until October 16, 2022
PTR No. 8116474
Issued January 6, 2020, Makati City

March 2, 2020
Makati City, Metro Manila

ALPHALAND CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2019 and 2018

(Amounts in Thousands)

Ratio	Formula	2019	2018
Current Ratio			
	Total current assets	₱11,321,120	₱11,338,369
	Divided by: Total current liabilities	6,558,279	5,435,817
	Current Ratio	1.73:1	2.09:1
Acid Test Ratio			
	Total current assets	₱11,321,120	₱11,338,369
	Less: Other current assets	1,337,541	2,189,454
	Quick assets	9,983,579	9,148,915
	Divide by: Total current liabilities	6,558,279	5,435,817
	Acid Test Ratio	1.52:1	1.68:1
Solvency Ratio			
	Net income after depreciation and amortization	₱7,833,088	₱4,728,303
	Add: Depreciation and amortization	247,471	124,771
	Net loss before depreciation and amortization	8,080,559	4,853,074
	Divided by: Total liabilities	28,538,915	29,292,562
	Solvency Ratio	0.28:1	0.17:1
Debt-to-Equity Ratio			
	Total liabilities	₱28,538,915	₱29,292,562
	Divided by: Total equity	80,830,328	70,070,138
	Debt-to-Equity Ratio	0.35:1	0.42:1
Asset-to-Equity Ratio			
	Total assets	₱109,369,243	₱99,362,700
	Divided by: Total equity	80,830,328	70,070,138
	Asset-to-Equity Ratio	1.35:1	1.42:1
Return on Equity			
	Net income	₱7,833,088	₱4,728,303
	Divided by: Total equity	80,830,328	70,070,138
	Return on Equity	0.10	0.07
Return on Assets			
	Net income	₱7,833,088	₱4,728,303
	Divided by: Average total assets	104,365,972	91,488,838
	Return on Assets	(0.08)	(0.05)
Net Profit Margin			
	Net income	₱7,833,088	₱4,728,303
	Divided by: Revenue	2,576,336	2,877,819
	Net Profit Margin	3.04	1.64

ALPHALAND CORPORATION AND SUBSIDIARIES

PARENT COMPANY'S RECONCILIATON OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2019

(Amounts in Thousands)

	Amount
Deficit at beginning of year	(₱397,266,022)
Net income during the year	4,751,235,547
Treasury shares	(1,213,526)
Retained earnings at end of year*	₱4,352,755,999

**Under the Security and Exchange Commission Memorandum Circular 11-2008, paid-in capital to be considered in the computation of retained earnings available for dividend declaration includes the outstanding capital stock and additional paid-in capital. For the Company's retained earnings available for dividend declaration, the Company plans to appropriate ₱2.0 billion for corporate projects and programs approved by the Executive Committee of the Board of Directors.*

alphaland
CORPORATION

March 2, 2020

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS"

The management of **Alphaland Corporation** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ROBERTO V. ONGPIN
Chairman and Chief Executive Officer

CRISTINA B. ZAPANTA
Senior Vice President for Finance

The City Club at Alphaland Makati Place
7232 Ayala Avenue Ext., 1209 Makati City, Philippines
T: +632.337.2031 | E: info@alphaland.com.ph | www.alphaland.com.ph

SUBSCRIBED AND SWORN to before me this JUN 0 9 2020 at Makati City, affiants exhibiting to me their respective identification documents, and personally known to me, follows:

NAME	PASSPORT ID NO.	DATE OF ISSUE	PLACE OF ISSUE
Roberto V. Ongpin	P0300707A	September 17, 2016	DFA Manila
Cristina B. Zapanta	P3451062A	June 22, 2017	DFA NCR East

Doc. No. 303
Page No. 64
Book No. 806
Series of 2020

RUBEN T. MARTINEZ
Appointment No. M-32
Notary Public for Makati City
Until December 31, 2020
Makati Post Office Bldg.
Brgy.. San Antonio, Makati City
Roll of Attorneys No. 26947
IBP No. 093489 / 01.06.2020 / Pasay City
PTR No. 8117014 / 01.06.2020 / Makati City
TIN No. 172-528-629

alphaland CORPORATION

Diana Marie B. Arceo <dbarceo@alphaland.com.ph>

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eafs@bir.gov.ph <eafs@bir.gov.ph>
To: AC_ACCOUNTINGBIR@alphaland.com.ph
Cc: AC_ACCOUNTINGBIR@alphaland.com.ph

Tue, Jun 30, 2020 at 7:32 PM

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Transaction Code: **AFS-2019-C9967CFL04MZTV3XSQQMQX3ZY0SQM34WV**
Submission Date/Time: **Jun 30, 2020 07:32 PM**
Company TIN: **001-746-612**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 1 8 3 8 3 5

COMPANY NAME

ALPHALAND CORPORATION

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

Alphaland Makati Place, 7232 Ayala Ave. ext. cor. Malugay Street, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AASFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	(632) 5-337-2031	–

No. of Stockholders	Annual Meeting	Calendar Year (Month / Day)
89	Last Wednesday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number	Mobile Number
Ms. Cristina B. Zapanta	cbzapanta@alphaland.com.ph	(632) 5-337-2031	–

CONTACT PERSON'S ADDRESS

Alphaland Makati Place, 7232 Ayala Ave. ext. cor. Malugay Street, Makati City

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

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

REYES TACANDONG & CO.
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BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-2 (Group A)
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Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Alphaland Corporation
Alphaland Makati Place
7232 Ayala Ave. ext. cor. Malugay Street
Makati City

Opinion

We have audited the accompanying separate financial statements of Alphaland Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2019 and 2018, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the three years ended December 31, 2019, 2018 and 2017, and notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2019 and 2018, and its separate financial performance and its separate cash flows for the three years ended December 31, 2019, 2018 and 2017 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 Separate Financial Statements* section of our report. We are independent of the Company 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 the audit of the separate 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.

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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, these could reasonably be expected to influence the economic decisions of users taken on the basis of these separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis 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 Company'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 Company'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 separate 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 the auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 81207-SEC Group A
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Valid until October 16, 2022
PTR No. 8116474
Issued January 6, 2020, Makati City

March 2, 2020
Makati City, Metro Manila

ALPHALAND CORPORATION

SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱253,868,632**	₱2,853,751
Nontrade receivables	5	**478,629**	1,347,024
Advances to related companies	12	**193,117,711**	20,940,811
Restricted cash	10	**–**	378,834,896
Other current assets	6	**23,211,718**	23,012,497
Total Current Assets		**470,676,690**	426,988,979
Noncurrent Assets			
Investments in and advances to subsidiaries	7	**23,689,981,597**	23,086,075,480
Aircraft	8	**72,913,152**	77,202,161
Total Noncurrent Assets		**23,762,894,749**	23,163,277,641
		₱24,233,571,439	₱23,590,266,620
LIABILITIES AND EQUITY			
Current Liabilities			
Payables and other current liabilities	9	**₱42,046,380**	₱11,956,568
Advances from related companies	12	**1,527,191,219**	144,301,175
Current portion of long-term debt	10	**–**	1,053,653,092
Total Current Liabilities		**1,569,237,599**	1,209,910,835
Noncurrent Liabilities			
Deferred tax liability	13	**107,598**	–
Long-term debt - net of current portion	10	**–**	4,467,365,138
Total Noncurrent Liabilities		**107,598**	4,467,365,138
Total Liabilities		**1,569,345,197**	5,677,275,973
Equity			
Capital stock	11	**2,842,173,842**	2,842,173,841
Additional paid-in capital		**15,469,296,401**	15,469,296,354
Retained earnings (deficit)	11	**4,353,969,525**	(397,266,022)
		22,665,439,768	17,914,204,173
Less cost of shares in treasury	11	**(1,213,526)**	(1,213,526)
Total Equity		**22,664,226,242**	17,912,990,647
		₱24,233,571,439	₱23,590,266,620

See accompanying Notes to Separate Financial Statements.

ALPHALAND CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31 2019	2018	2017
REVENUES				
Dividend income	7	₱4,776,785,714	₱–	₱–
Interest income	4	2,833,567	1,011,440	334,983
Other income		398,885	84,993	51,898
		4,780,018,166	1,096,433	386,881
EXPENSES				
Provision for probable losses	9	11,243,341	–	–
Service and professional fees		6,498,362	5,149,453	3,638,225
Taxes and licenses		4,563,671	1,833,425	6,511
Depreciation	8	4,289,009	4,289,010	4,240,376
Outside services		1,111,309	597,600	–
Office supplies and printing		397,033	62,824	23,536
Representation		109,561	47,721	26,922
Bank charges		8,659	28,743	66,430
Others		453,271	228,817	334,054
		28,674,216	12,237,593	8,336,054
INTEREST EXPENSE AND OTHER FINANCE CHARGES	10	–	–	3,905,143
INCOME (LOSS) BEFORE INCOME TAX		4,751,343,950	(11,141,160)	(11,854,316)
PROVISION FOR INCOME TAX	13			
Current		805	1,700	1,038
Deferred		107,598	–	–
		108,403	1,700	1,038
NET INCOME (LOSS)		4,751,235,547	(11,142,860)	(11,855,354)
OTHER COMPREHENSIVE INCOME		–	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)		₱4,751,235,547	(₱11,142,860)	(₱11,855,354)
Total Comprehensive Income (Loss) Per Share*				
Based on weighted average number of shares outstanding after the effect of stock split	14	₱0.167	(₱0.000)	(₱0.000)

See accompanying Notes to Separate Financial Statements.

*Total comprehensive income (loss) per share is computed based on weighted average number of shares outstanding after the effect of stock split which was approved by the Securities and Exchange Commission on December 10, 2018. This is intended as additional information for management reporting purposes only.

ALPHALAND CORPORATION

SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	2019	2018	2017
		Years Ended December 31		
CAPITAL STOCK - ₱0.1 par value in 2019 and 2018, and ₱1 par value in 2017	11			
Balance at beginning of year		**₱2,842,173,841**	₱2,655,707,417	₱2,655,707,417
Additions		**1**	186,466,424	–
Balance at end of year		**2,842,173,842**	2,842,173,841	2,655,707,417
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**15,469,296,354**	13,439,645,478	13,439,645,478
Additions	11	**47**	2,029,650,876	–
Balance at end of year		**15,469,296,401**	15,469,296,354	13,439,645,478
RETAINED EARNINGS (DEFICIT)				
Balance at beginning of year		**(397,266,022)**	(386,123,162)	(374,267,808)
Net income (loss)		**4,751,235,547**	(11,142,860)	(11,855,354)
Balance at end of year		**4,353,969,525**	(397,266,022)	(386,123,162)
TREASURY SHARES - at cost				
Balance at beginning and end of year	11	**(1,213,526)**	(1,213,526)	(1,213,526)
		₱22,664,226,242	₱17,912,990,647	₱15,708,016,207

See accompanying Notes to Separate Financial Statements.

ALPHALAND CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**₱4,751,343,950**	(₱11,141,160)	(₱11,854,316)
Adjustments for:				
Dividend income	7	**(4,776,785,714)**	–	–
Depreciation	8	**4,289,009**	4,289,010	4,240,376
Interest income	4	**(2,833,567)**	(1,011,440)	(334,983)
Unrealized foreign exchange gain		**(358,659)**	(1,957)	(648)
Interest expense and other finance charges	10	**–**	–	3,905,143
Operating loss before changes in working capital		**(24,344,981)**	(7,865,547)	(4,044,428)
Decrease (increase) in:				
Nontrade receivables		**868,395**	(1,272,314)	5,189,684
Other current assets		**(200,027)**	(482,909)	(193,245)
Increase (decrease) in payables and other current liabilities		**30,089,812**	(18,187,947)	(30,237,275)
Net cash generated from (used for) operations		**6,413,199**	(27,808,717)	(29,285,264)
Interest received		**2,833,567**	1,011,440	334,983
Net cash provided by (used in) operating activities		**9,246,766**	(26,797,277)	(28,950,281)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received		**4,776,785,714**	–	–
Decrease (increase) in:				
Advances to related companies		**(172,176,900)**	10,392,018	(4,922,143)
Investments in and advances to subsidiaries		**(404,029,414)**	(1,260,869,170)	(3,011,685,966)
Additions to aircraft		**–**	–	(1,325,843)
Net cash used in investing activities		**4,200,579,400**	(1,250,477,152)	(3,017,933,952)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt		**(4,776,785,714)**	(1,090,942,609)	(480,000,000)
Interest and other finance charges		**–**	–	(6,291,691)
Net additions to (settlement of) advances from related companies		**438,780,826**	117,160,988	(2,749,916,946)
Proceeds from:				
Issuance of new shares		**48**	2,216,117,300	–
Availments of long-term debt	10	**–**	400,000,000	6,286,000,000
Net cash provided by (used in) financing activities		**(4,338,004,840)**	1,642,335,679	3,049,791,363

(Forward)

	Note	2019	2018	2017
		Years Ended December 31		
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**₱358,659**	₱1,957	₱648
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(127,820,015)**	365,063,207	2,907,778
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and cash equivalents	4	**2,853,751**	16,625,440	4,311,006
Restricted cash	10	**378,834,896**	–	9,406,656
		381,688,647	16,625,440	13,717,662
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and cash equivalents	4	**253,868,632**	2,853,751	16,625,440
Restricted cash	10	**–**	378,834,896	–
		₱253,868,632	₱381,688,647	₱16,625,440

See accompanying Notes to Separate Financial Statements.

ALPHALAND CORPORATION

NOTES TO SEPARATE FINANCIAL STATEMENTS

1. Corporate Matters

Corporate Information

Alphaland Corporation (ALPHA or the Company) is a holding company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 19, 1990 primarily to acquire by purchase, negotiation or otherwise and to hold for investment or mortgage, pledge or otherwise deal with or dispose of stocks, bonds or any other obligations or securities of any entity or entities. ALPHA and its subsidiaries are collectively referred herein as the "Group."

The registered office address of ALPHA is Alphaland Makati Place, 7232 Ayala Ave. ext. cor. Malugay Street, Makati City.

The separate financial statements as at December 31, 2019 and 2018 and for the three years ended December 31, 2019, 2018 and 2017 were approved and authorized for issue by the Executive Committee of the Board of Directors (BOD) on March 2, 2020.

Event after the Reporting Period

On January 2, 2020, a group of shareholders reduced the number of their subscribed ALPHA shares from 1,864,664,240 to 466,157,500. ALPHA and the shareholders executed a new Deed of Subscriptions (Deed) to supersede the previous Deed executed by the parties on June 11, 2018.

2. Summary of Significant Accounting Policies

Basis of Preparation

The separate financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) issued and approved by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The Company also prepares and issues consolidated financial statements for the same period in accordance with PFRS. In the consolidated financial statements, the subsidiary undertakings have been fully consolidated. Users of these separate financial statements should read them together with the consolidated financial statements in order to obtain full information on the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group. The consolidated financial statements may be obtained at the Company's registered office address and at the SEC.

Measurement Bases

The separate financial statements are presented in Philippine Peso (Peso), which is the Company's functional currency. All amounts represent absolute values unless otherwise stated.

The separate financial statements of the Company have been prepared on a historical cost basis, except for aircraft which is measured at revalued amount. Historical cost is generally based on the fair value of the consideration given in exchange of assets and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Notes 8 and 16.

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2019:

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost [or, depending on the business model, at fair value through other comprehensive income (FVOCI)].

- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

The adoption of the foregoing new and amended PFRS did not have any material effect on the separate financial statements. Additional disclosures were included in the notes to separate financial statements, as applicable.

Amended PFRS in Issue But Not Yet Effective

Relevant amended PFRS which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the separate financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020 -

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance–in particular the definition of a liability and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must now include 'an input and a substantive process that together significantly contribute to the ability to create an output'. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the notes to separate financial statements, as applicable.

Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. The classification of a financial asset largely depends on the Company's business model and the instrument's contractual cash flow characteristics.

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2019 and 2018, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized, impaired and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

This category includes cash and cash equivalents, nontrade receivables (excluding advances to employees), advances to related companies, restricted cash and advances to subsidiaries.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

This category includes payables and other current liabilities (excluding statutory payables), advances from related companies and long-term debt.

Reclassification of Financial Assets

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

Impairment of Financial Assets at Amortized Cost

Effective January 1, 2018, the Company records an allowance for expected credit loss (ECL) on financial assets at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Company measures loss allowances at an amount equivalent to the 12-month ECL for financial assets on which credit risk has not increased significantly since initial recognition or that are determined to have low credit risk at reporting date. Otherwise, impairment loss will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument on the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Prior to January 1, 2018, an allowance for impairment losses is recognized when a financial asset or a group of financial assets is deemed to be impaired, i.e., if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For all reporting periods, a financial asset is written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Derecognition of Financial Assets and Liabilities

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

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

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount is reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Other Current Assets
This account consists mainly of excess of input value-added tax (VAT) and creditable withholding taxes (CWT).

Input VAT. Expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- payables that are stated with the amount of tax included.

CWT. CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWT is stated at its net realizable amount.

Investments in Subsidiaries
Subsidiaries are entities controlled by the Company. The Company has control when it is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to elements evidencing control.

The Company recognizes dividends from its subsidiaries in profit or loss when its right to receive the dividend is established.

The Company carries its investment in subsidiaries using the cost method. Under the cost method, investments are carried in the Company's separate statements of financial position at cost less any impairment in value.

Aircraft
The Company adopted the revaluation model in measuring its aircraft. Under the revaluation model, aircraft is initially recorded at cost and subsequently measured at fair value less accumulated depreciation and impairment losses, if any. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Additions subsequent to the last appraisal date are stated at acquisition cost.

A revaluation increase is recorded initially in other comprehensive income and accumulated to the revaluation surplus in equity. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. A revaluation decrease is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in revaluation surplus in equity in which case the decrease is recognized in other comprehensive income.

Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Each part of the aircraft with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation of aircraft is computed on a straight-line basis over the estimated useful life of 15 to 23 years.

The estimated useful life and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of aircraft.

An item of aircraft is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued and outstanding. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Incremental costs directly attributable to the issue of new capital stock are recognized as a deduction, net of tax, from the equity.

Retained Earnings (Deficit)

Retained earnings (deficit) represent accumulated earnings and losses of the Company, amortization of revaluation surplus, and net of dividend distribution, if any.

Treasury Shares

Treasury shares are own equity instruments which are reacquired. These are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources. The following specific recognition criteria must also be met before revenue is recognized.

Interest Income. Interest income is recognized as the interest accrues taking into account the effective yield on the assets.

Other Income. Income from other sources is recognized when earned during the period.

Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletion of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business. These are expensed as incurred.

Interest Expense and Other Finance Charges. Interest expense and other finance charges are recognized as they accrue. This includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated in an effective interest rate basis.

Income Taxes

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

Deferred Tax. Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity as other comprehensive income.

Foreign Currency-Denominated Transactions

Transactions denominated in foreign currencies are initially recorded in Peso using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between the rate at transaction date and settlement date or reporting date are credited to or charged against profit or loss. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

Related Parties and Transactions

A related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

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

Events after the Reporting Date
Post year-end events that provide additional information about the Company's financial position at reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to separate financial statements when material.

3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the separate financial statements in accordance with PFRS requires management to exercise judgment and make estimates and assumptions that affect amounts of assets, liabilities, income and expenses reported in the separate financial statements. The judgment, estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as at reporting date. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgment
In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the separate financial statements.

Establishing Control over Subsidiaries. The Company determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Company's voting rights and potential voting rights

Evaluating Legal Contingencies. There are on-going litigations involving the Company which management believes would not have a material adverse impact on the Company's financial condition and results of operations. The estimate of the probable costs for the resolution of possible claims have been developed in consultation with legal counsel handling the Company's defense in these matters and is based upon an analysis of potential results (see Note 17).

Estimates and Assumptions

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

Assessing Impairment Losses on Financial Assets at Amortized Cost. Under PFRS 9, the Group determines allowance for impairment losses based on ECL. The Company assessed that cash are deposited with reputable banks that possess good credit ratings.

Nontrade receivables, advances to related companies and advances to subsidiaries are noninterest-bearing and due and demandable. Under PFRS 9, these credit exposures are considered to be in default when there is evidence that the counterparty is in significant financial difficulty such that it will not have sufficient liquid assets to repay its obligation upon demand. This is assessed based on a number of factors, including key liquidity and solvency ratios. After taking into consideration the counterparties' ability to pay depending on the sufficiency of liquid assets, the risk of default is assessed to be minimal.

Under PAS 39, *Financial Instruments: Recognition and Measurement*, the management assesses financial assets for impairment losses on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the age and status of receivables, the length of relationship, the counterparty's payment behavior and known market factors.

No impairment loss was recognized in 2019, 2018 and 2017. The carrying amounts of financial assets carried at amortized cost are as follows:

	Note	2019	2018
Cash and cash equivalents	4	**₱253,868,632**	₱2,853,751
Nontrade receivables*	5	**270,148**	1,153,600
Advances to related companies	12	**193,117,711**	20,940,811
Restricted cash	10	**–**	378,834,896
Advances to subsidiaries	7	**10,316,218,474**	9,713,062,357

**Excluding advances to employees amounting to ₱0.2 million at December 31, 2019 and 2018.*

Estimating Useful Life of Aircraft. The Company estimates the useful life based on the period over which these assets are expected to be available for use. The estimated useful life is reviewed periodically and is 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 these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful life of aircraft in 2019, 2018, and 2017.

Determining Fair Value of Aircraft Measured at Revalued Amount. Management uses valuation techniques where active market quotes are not available to determine the fair value of nonfinancial assets. This includes developing estimates and assumptions consistent with how market participants would price the asset. As at reporting date, the management has assessed that the carrying amount of acquired aircraft approximates its fair value.

The carrying amount of aircraft amounted to ₱72.9 million and ₱77.2 million as at December 31, 2019 and 2018, respectively (see Note 8).

Estimating Nonfinancial Assets for Impairment. The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the separate financial statements.

No impairment loss on nonfinancial assets was recognized in 2019, 2018 and 2017. The carrying amounts of nonfinancial assets are as follows:

	Note	2019	2018
Other current assets	6	**₱23,211,718**	₱23,012,497
Investments in subsidiaries	7	**13,373,763,123**	13,373,013,123
Aircraft	8	**72,913,152**	77,202,161

Assessing Realizability of Deferred Tax Assets. The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company's assessment of the recognition of deferred tax assets is based on the projected taxable income in the following periods. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Management has assessed that it is not probable that sufficient taxable income will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets amounted to ₱8.6 million and ₱19.2 million as at December 31, 2019 and 2018, respectively (see Note 13).

4. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash in banks	**₱693,632**	₱2,853,751
Short-term investments	**253,175,000**	–
	₱253,868,632	₱2,853,751

Cash in banks earn interest at prevailing bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term investment rates.

Interest earned amounted to ₱2.8 million, ₱1.0 million and ₱0.3 million in 2019, 2018 and 2017, respectively.

5. Nontrade Receivables

This account consists of:

	2019	2018
Nontrade receivables	**₱270,148**	₱1,153,600
Advances to employees of a related company	**208,481**	193,424
	₱478,629	₱1,347,024

Nontrade receivables are unsecured, noninterest-bearing and are generally collectible within one year.

Advances to employees of a related company are noninterest-bearing and are subject to liquidation for a specified period of time.

6. Other Current Assets

This account consists of:

	2019	2018
Input VAT	**₱22,960,561**	₱22,610,217
CWT	**57,364**	58,848
Others	**193,793**	343,432
	₱23,211,718	₱23,012,497

7. Investments in and Advances to Subsidiaries

This account consists of:

	Note	2019	2018
Investments in subsidiaries		**₱13,373,763,123**	₱13,373,013,123
Advances to subsidiaries	12	**10,316,218,474**	9,713,062,357
		₱23,689,981,597	₱23,086,075,480

Acquisition costs of investments in subsidiaries are as follows:

	2019	2018
Alphaland Southgate Tower, Inc. (ASTI)	**₱11,978,987,410**	₱11,978,987,410
Alphaland Balesin Island Resort Corporation (ABIRC)	**1,290,581,165**	1,290,581,165
Alphaland Aviation, Inc. (AAI)	**49,999,500**	49,249,500
Alphaforce Security Agency, Inc. (ASAI)	**19,158,843**	19,158,843
Aegle Wellness Center, Inc. (AWCI)	**18,750,000**	18,750,000
Alphaland Reclamation Corporation (ARC)	**6,663,705**	6,663,705
Alphaland International, Inc. (AII)	**6,250,000**	6,250,000
Alphaland International, Inc. - BVI (AIIBVI)	**800,000**	800,000
Lodgepole Holdings Inc. (LHI)	**625,000**	625,000
Redstone Mountain Holdings, Inc. (RMHI)	**625,000**	625,000
Mt. Baguio Holding Estates Inc. (MBHEI)	**625,000**	625,000
Pinecrest Holdings, Inc. (PHI)	**625,000**	625,000
Alphaland Baguio Mountain Log Homes, Inc. (ABMLHI)	**62,500**	62,500
Alphaland International Balesin Gateway, Inc. (ABIGI)	**10,000**	10,000
	₱13,373,763,123	₱13,373,013,123

Details of the Company's unpaid subscription are as follows:

	2019	2018
AWCI	**₱56,250,000**	₱56,250,000
AII	**18,750,000**	18,750,000
LHI	**1,875,000**	1,875,000
RMHI	**1,875,000**	1,875,000
MBHEI	**1,875,000**	1,875,000
PHI	**1,875,000**	1,875,000
ABMLHI	**187,500**	187,500
	₱82,687,500	₱82,687,500

Further information about the subsidiaries of the Company is as follows:

Company	Nature of Business	Percentage of Effective Ownership 2019 and 2018
ASTI	Real property development	100
ABMLHI	Real property development	100
ABIGI	Real property development	100
ARC	Real property development	100
ABIRC	Real property development	100
AAI	Aviation	100
AWCI	Wellness center	100
AII	Holding company	100
AIIBVI	Holding company	100
RMHI	Holding company	100
LHI	Holding company	100
MBHEI	Holding company	100
PHI	Holding company	100
ASAI	Security agency	80

- ASTI was incorporated and registered with the Philippine SEC on May 29, 2007 as Alphaland Corporation. The Philippine SEC approved the change in its corporate name to "Alphaland Development, Inc." on December 28, 2009 and then to "Alphaland Southgate Tower, Inc." on October 15, 2015.

  ASTI's main property is a 20-storey office tower building with a six-storey podium shopping mall known as Alphaland Southgate Tower. This property was sold in 2019 resulting to a loss of ₱7,003.3 million.

  In 2019, ASTI declared and paid dividends to the Company amounting to ₱18.91 per share for a total of ₱4,776.8 million (see Note 12).

- ABMLHI was incorporated and registered with the Philippine SEC on January 17, 2013 as Alphaland Holdings Company, Inc. On September 7, 2016, the Philippine SEC approved the change in its corporate name to "Alphaland Baguio Mountain Log Homes, Inc.".

  ABMLHI's main project is the Alphaland Baguio Mountain Lodges Project which pertains to 24.5 hectares of land situated in Benguet that is currently being developed as horizontal condominium for sale.

- ABIGI was incorporated and registered with the Philippine SEC on May 19, 2010 as Aklan Boracay Properties, Inc. The Philippine SEC approved the change in the corporate name to "Alphaland Balesin Gateway, Inc." on October 17, 2016 then to "Alphaland Balesin International Gateway, Inc." on April 10, 2018.

- ARC was incorporated and registered with the Philippine SEC on April 5, 2011 primarily to engage in the construction of reclamation projects and to contract for and perform reclamation works.

- ABIRC was incorporated and registered with the Philippine SEC on May 26, 2010 primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, and exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

- AAI was incorporated and registered with the Philippine SEC on July 31, 2012 primarily to engage in the aviation industry and its related businesses, including but not limited to, the provision of hangarage and moorage, parking and landing operations, aircraft maintenance, supply of parts, oils, and lubricants and other related businesses.

  In 2019, the Company applied its advances to AAI amounting to ₱0.8 million in exchange for additional shares of stocks of AAI.

- AWCI was incorporated and registered with the Philippine SEC on September 28, 2015 primarily to provide diagnostic, therapheutic and naturopathic services using formulated herbal supplements and natural health products and sale of such herbal supplements.

- AII was incorporated and registered with the Philippine SEC on January 29, 2014 primarily to market assets, including club shares and condominium units of the Group outside the Philippine market.

- AIIBVI was incorporated and registered in the British Virgin Islands on September 6, 2002 as a holding company.

- RMHI, LHI, MBHEI and PHI were incorporated and registered with the Philippine SEC in 2018 primarily to invest in, purchase, or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

- ASAI was incorporated and registered with the Philippine SEC on March 18, 2011 primarily to engage in the business of providing security and investigation services to private institutions and government organizations.

8. Aircraft

Movements in this account are as follows:

	2019	2018
Cost		
Balance at beginning and end of year	**₱98,337,025**	₱98,337,025
Accumulated Depreciation		
Balance at beginning of year	**21,134,864**	16,845,854
Depreciation	**4,289,009**	4,289,010
Balance at end of year	**25,423,873**	21,134,864
Carrying Amount	**₱72,913,152**	₱77,202,161

The management evaluated that the carrying amount of the aircraft acquired in 2014 approximates the fair value as at December 31, 2019 and 2018.

9. Payables and Other Current Liabilities

This account consists of:

	2019	2018
Nontrade payables	**₱30,450,774**	₱10,852,197
Provisions	**11,243,341**	–
Accrued expenses	**256,007**	379,981
Statutory payables	**96,258**	724,390
	₱42,046,380	₱11,956,568

Nontrade payables mainly pertain to liabilities assumed by the Company in favor of a related company. These are unsecured, noninterest-bearing and are due for payment within 30 to 120 days from the date of transaction.

Accrued expenses mainly pertain to accruals for normal operating expenses which are normally settled within the next financial year.

Statutory payables are payables to government agencies which are normally settled within the next financial year.

Provisions pertains to probable losses in the normal course of business. In 2019, the Company recognized provision for probable losses amounting to ₱11.2 million in the separate statements of comprehensive income.

10. Long-Term Debt

This account consists of:

	2019	2018
Current	₱–	₱1,053,653,092
Noncurrent	–	4,467,365,138
	₱–	₱5,521,018,230

The Company had an Omnibus Loan and Security Agreement (OLSA) with BDO for a loan facility aggregating ₱6,726.0 million from 2017 to refinance loans and to finance new projects and working capital requirements of the Group. The loan was payable in seven years, commencing one year after initial drawdown date. Loan drawdowns aggregated ₱400.0 million and ₱6,286.0 million in 2018 and 2017, respectively.

BDO assigned the long-term loan under the OLSA with outstanding balance of ₱5,653.2 million, inclusive of interest and adjustments as of January 23, 2019, to the Philippine Bank of Communications - Trust and Wealth Management Group pursuant to an Assignment Agreement on the same date.

The loan was fully settled in 2019.

Effective interest rates of the long-term debt range from 7.1% to 9.2%, 5.0% to 9.1% and 4.8% to 8.1% per annum in 2019, 2018 and 2017, respectively. No interest expense was charged to profit or loss in 2019 and 2018. Interest expense amounting to ₱199.9 million and ₱222.1 million in 2019 and 2018, respectively, was recognized by the Company's subsidiaries with refinanced loans (see Note 12). Interest expense and other finance charges recognized in profit or loss amounted to ₱3.9 million in 2017.

The Company was required to maintain a Debt Service Reserve Account (DSRA) in relation to the OLSA entered into by the Company with BDO. The DSRA with balance of ₱378.8 million as at December 31, 2018 was released in 2019 upon full settlement of the loan.

11. Equity

Capital Stock

This account consists of:

	2019		2018	
	Number of Shares	Amount	Number of Shares	Amount
Authorized capital stock (₱0.10 Par Value)				
Beginning of year	50,000,000,000	₱5,000,000,000	5,000,000,000	₱5,000,000,000
Effect of stock split	–	–	45,000,000,000	–
End of year	50,000,000,000	₱5,000,000,000	50,000,000,000	₱5,000,000,000
Issued				
Beginning of year	28,411,738,410	₱2,842,173,841	2,654,707,417	₱2,655,707,417
Additions	10	1	186,466,424	186,466,424
Effect of stock split	–	–	25,570,564,569	–
End of year	28,411,738,420	2,842,173,842	28,411,738,410	2,842,173,841
Treasury				
Beginning	(4,239,000)	(1,213,526)	(423,900)	(1,213,526)
Effect of stock split	–	–	(3,815,100)	–
End of year	(4,239,000)	(1,213,526)	(4,239,000)	(1,213,526)
Outstanding shares at end of the year	28,407,499,420	₱2,840,960,316	28,407,499,410	₱2,840,960,315

In 2019 and 2018, the Company issued 10 and 186,466,424 common shares, respectively. The resulting additional paid-in capital amounted to ₱47 and ₱2,029.7 million in 2019 and 2018, respectively.

The total number of shareholders, which includes PCD Nominee Corporation, is 89 and 88 as at December 31, 2019 and 2018, respectively.

Stock Split

On December 10, 2018, the SEC approved ALPHA's application for a 10-for-1 stock split, whereby its capital stock would be divided into ₱50.0 billion common shares at ₱0.10 par value per share. The stock split has no dilutive effect on the proportionate percentage ownership of the shareholders.

Retained Earnings

Under the Revised Corporation Code of the Philippines (Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of the paid-up capital, except under certain conditions as provided in the Code.

As at December 31, 2019, the Company's retained earnings is in excess of its paid-up capital. The Company, however, plans to appropriate ₱2.0 billion out of its ₱4.4 billion retained earnings as at December 31, 2019 for corporate projects and programs approved by the Executive Committee of the BOD.

12. Related Party Transactions

The Company, in its regular conduct of business, has transactions with its related parties. The following table summarizes the transactions with the related parties and outstanding balance arising from these transactions.

	Nature of Transactions	Amount of Transactions 2019	Amount of Transactions 2018	Outstanding Balance 2019	Outstanding Balance 2018
Advances to Related Companies					
Entities under common control	Cash advances	**₱129,783,598**	₱–	**₱129,783,598**	₱–
Entities under common key management	Reimbursements of expenses	**52,028,550**	37,406,519	**59,416,751**	17,023,449
Stockholder	Cash advances	**–**	–	**3,917,362**	3,917,362
				₱193,117,711	₱20,940,811
Advances to Subsidiaries					
Subsidiaries	Cash advances	**₱863,898,686**	₱1,070,763,347	**₱8,294,118,199**	₱7,516,221,873
	Reimbursement of expenses	**185,741,073**	280,145,862	**1,772,100,275**	2,196,840,484
	Deposit for future stock investment	**250,000,000**	–	**250,000,000**	–
	Dividend income	**4,776,785,714**	–	**–**	–
	Transfer of interest expense	**199,876,702**	222,125,433	**–**	–
				₱10,316,218,474	₱9,713,062,357
Advances from Related Companies					
Stockholder	Settlement of long-term debt and interest	**₱944,109,218**	₱–	**₱944,109,218**	₱–
	Cash advances	**551,879,219**	–	**551,879,219**	–
Entities under common key management	Reimbursements of expenses	**7,283,073**	117,586,500	**31,202,782**	144,301,175
				₱1,527,191,219	₱144,301,175

Terms and Conditions of Transactions with Related Parties

Outstanding balances of transactions with related parties are noninterest-bearing, unsecured, collectible/payable on demand and are normally settled in cash. No impairment loss was recognized on amounts receivable from related parties.

Deposit for Future Stock Investment

On September 9, 2019, AAI's BOD approved the amendment of the its Articles of Incorporation increasing its authorized capital stock from 50,000,000 common shares with ₱1 par value per share to 300,000,000 common shares with ₱1 par value per share. The proposed increase in authorized capital stock was filed with the SEC in September 2019.

Advances to AAI amounting to ₱250.0 million was earmarked as "Deposit for future stock investment" while awaiting the issuance of shares of stock.

Stock Option Plan

The Company's Stock Option Plan was approved by the BOD of the Company on June 5, 2013, and by stockholders representing more than 2/3 of the outstanding capital stock of the Company during the annual meeting held on December 3, 2014. On November 27, 2017, June 9, 2017, and December 19, 2016, the Stock Option Plan Committee awarded stock options to key officers and employees of the Group. Additional stock option awards were given on May 30, 2019, June 5, 2019, and September 18, 2019 to qualified personnel of the Group. The effectivity date of the grant is one year after an option is awarded to the employee. One-third (1/3) of the total number of shares covered by a grant to an employee shall vest upon the effectivity of the grant. Another 1/3 of the shares shall vest one year after the effectivity date and the remaining 1/3 of the shares shall vest two years after the effectivity date of the grant. The Stock Option Plan was approved by the SEC on July 24, 2019.

Compensation of Key Management Personnel
Key management personnel of the Company are also officers of ASTI. These key management personnel do not receive direct compensation from the Company, but from ASTI.

13. Income Taxes

The current provision for income tax represents the Company's MCIT in 2019, 2018 and 2017.

Deferred tax liability amounting to ₱107,598 as at December 31, 2019 arises from unrealized foreign exchange gain.

The following deferred tax assets were not recognized as it is not probable that sufficient taxable profit will be available to allow the benefit of the net deferred tax assets to be utilized in the future:

	2019	2018
NOLCO	**₱8,563,392**	₱19,206,257
MCIT	**3,543**	2,738
	₱8,566,935	₱19,208,995

The details of MCIT which can be claimed as deduction from income tax due are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Expiry Year
2019	₱–	₱805	₱–	₱805	2022
2018	1,700	–	–	1,700	2021
2017	1,038	–	–	1,038	2020
	₱2,738	₱805	₱–	₱3,543	

The details of NOLCO, which can be claimed as deduction from future taxable income, within three years from the year the NOLCO was incurred, is shown below:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Expiry Year
2019	₱–	₱12,992,481	₱–	₱12,992,481	2022
2018	7,791,869	–	–	7,791,869	2021
2017	7,760,291	–	–	7,760,291	2020
2016	48,468,697	–	(48,468,697)	–	2019
	₱64,020,857	₱12,992,481	(₱48,468,697)	₱28,544,641	

The reconciliation of income tax computed at statutory tax rate to provision for income taxes shown in the separate statements of comprehensive income are as follows:

	2019	2018	2017
Income tax computed at statutory tax rate	**₱1,425,403,185**	(₱3,342,348)	(₱3,556,295)
Change in unrecognized deferred tax asset	**(10,642,060)**	(8,978,702)	(14,031,497)
Add (deduct) tax effects of:			
Nontaxable income	**(1,433,035,714)**	–	–
Expired NOLCO	**14,540,609**	11,317,963	16,360,622
Nondeductible expenses	**4,692,453**	1,308,219	1,328,703
Interest income subjected to final tax	**(850,070)**	(303,432)	(100,495)
Income tax computed at effective tax rate	**₱108,403**	₱1,700	₱1,038

14. Total Comprehensive Income (Loss) Per Share

Total comprehensive income (loss) per share is computed as follows:

	2019	2018	2017
(a) Net income (loss)	**₱4,751,235,547**	(₱11,142,860)	(₱11,855,354)
(b) Weighted average number of shares outstanding after the effect of stock split	**28,411,738,413**	27,479,406,290	26,542,835,170
Basic/diluted loss per share (a/b)	**₱0.167**	(₱0.000)	(₱0.000)

The Company has no dilutive potential common shares outstanding, therefore basic earnings per share is the same as diluted earnings per share.

The information presented above are intended as additional information for management reporting purposes only.

15. Risk Management Objectives and Policies

The Company's financial instruments comprise of cash and cash equivalents, nontrade receivables (excluding advances to employees), advances to related companies, restricted cash, advances to subsidiaries, payables and other current liabilities (excluding statutory payables), advances from related companies and long-term debt. The main purpose of these financial instruments is to raise funds for the Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to credit risk and liquidity risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks.

Credit Risk

Credit risk represents the risk of loss the Company would incur if counterparties fail to perform their contractual obligations. The Company's credit risk arises principally from the Company's cash in banks and cash equivalents, nontrade receivables (excluding advances to employees), advances to related companies, restricted cash and advances to subsidiaries.

Maximum Exposure to Credit Risk. The carrying amounts of cash and cash equivalents, nontrade receivables (excluding advances to employees), advances to related companies, restricted cash and advances to subsidiaries generally represent the Company's maximum exposure to credit risk in relation to financial assets. The Company transacts only with recognized and creditworthy third parties and related companies, therefore, there is no requirement for collateral. There are no other concentrations of credit risk within the Company.

Credit Quality of Financial Assets. The credit quality of financial assets is managed by the Company using internal credit ratings such as high grade and standard grade.

High Grade - consists of financial assets from counterparties with good financial condition and with relatively low defaults, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies.

Standard Grade - pertains to financial assets having risks of default but are still collectible.

Past due but not impaired - pertains to financial assets where contractual payments are past due but the Company believes that impairment is not appropriate based on the probability of collection of amounts owed to the Company.

Impaired - pertains to financial assets for which the Company determines that it is probable that it will not be able to collect the amount due based on the contractual terms and agreements.

The Company's cash in banks and advances to a related companies are considered high grade as these pertain to deposits in reputable banks and the related companies is not expected to default in settling its obligations.

The table below shows the credit quality by class of financial assets:

	2019				
		Neither Past Due nor Impaired		Past Due but	
	Total	**High Grade**	**Standard Grade**	**not Impaired**	**Impaired**
Cash in banks and cash equivalents	**₱253,868,632**	**₱253,868,632**	**₱–**	**₱–**	**₱–**
Nontrade receivables*	**270,148**	**–**	**270,148**	**–**	**–**
Advances to related companies	**193,117,711**	**193,117,711**	**–**	**–**	**–**
Advances to subsidiaries	**10,316,218,474**	**10,316,218,474**	**–**	**–**	**–**
	₱10,763,474,965	**₱10,763,204,817**	**₱270,148**	**₱–**	**₱–**

**Excluding advances to employees amounting to ₱0.2 million.*

	2018				
		Neither Past Due nor Impaired		Past Due but	
	Total	High Grade	Standard Grade	not Impaired	Impaired
Cash in banks and cash equivalents	₱2,853,751	₱2,853,751	₱–	₱–	₱–
Nontrade receivables*	1,153,600	–	1,149,200	4,400	–
Advances to related companies	20,940,811	20,940,811	–	–	–
Restricted cash	378,834,896	378,834,896	–	–	–
Advances to subsidiaries	9,713,062,357	9,713,062,357	–	–	–
	₱10,116,845,415	₱10,115,691,815	₱1,149,200	₱4,400	₱–

**Excluding advances to employees amounting to ₱0.2 million.*

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risk, related processes and policies are overseen by the management. The Company manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Company also maintains a balance between continuity of funding and flexibility. The policy of the Company is to first exhaust lines available from related companies before local bank lines are availed of. The Company seeks to manage its liquid funds through cash planning on a weekly basis. The Company uses historical figures and experiences and forecasts from its cash receipts and disbursements. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Also, the Company only places funds in the money market which are exceeding the Company's requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The tables below summarize the maturity profile of the Company's financial liabilities based on undiscounted cash flows:

	2019				
	On Demand	Less than 1 Year	More than 1 Year up to 3 Years	More than 3 Years	Total
Payables and other current liabilities*	₱–	₱30,706,781	₱–	₱–	₱30,706,781
Advances from related companies	1,527,191,219	–	–	–	1,527,191,219
	₱1,527,191,219	₱30,706,781	₱–	₱–	₱1,557,898,000

**Excluding provisions and statutory payable amounting to ₱11.2 million and ₱0.1 million, respectively.*

	2018				
	On Demand	Less than 1 Year	More than 1 Year up to 3 Years	More than 3 Years	Total
Payables and other current liabilities*	₱–	₱11,232,178	₱–	₱–	₱11,232,178
Advances from related companies	144,301,175	–	–	–	144,301,175
Long-term debt	–	1,065,725,217	1,065,725,217	3,463,606,958	5,595,057,392
Future interest	–	277,316,896	389,557,942	165,407,199	832,282,037
	₱144,301,175	₱1,354,274,291	₱1,455,283,159	₱3,629,014,157	₱6,582,872,782

**Excluding statutory payables amounting to ₱0.8 million.*

Capital Management

The primary objective of the Company's capital management is to ensure that the Company has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Company may obtain additional advances from stockholders, adjust the return of capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2019 and 2018. The Company monitors capital using the monthly cash position report and separate financial statements. The Company considers its equity as capital employed. The Company is not subject to externally imposed capital requirements.

16. Fair Value Measurement

The following tables present the carrying amount and fair value of the Company's assets and liabilities measured at fair value or for which fair value is disclosed, and the corresponding fair value hierarchy.

		2019			
			Fair Value		
	Note	Carrying Amount	Quoted price in active markets (Level 1)	Significant observable Inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset for which fair value is disclosed					
Aircraft	8	₱72,913,152	₱–	₱72,913,152	₱–

		2018			
	Note	Carrying Amount	Quoted price in active markets (Level 1)	Significant observable Inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset for which fair value is disclosed					
Aircraft	8	₱77,202,161	₱–	₱77,202,161	₱–
Liability for which fair value is disclosed					
Long-term debt	10	₱5,595,057,392	₱–	₱6,951,408,526	₱–

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

Aircraft. As at December 31, 2019, the management has assessed the carrying amount of the aircraft approximates its fair value.

Long-term Debt. The fair value of the Company's long-term debt was determined as the sum of all future cash flows, discounted using the prevailing market rates of interest for similar type of instruments. The discount rates used in determining the fair value of long-term debt range from 4.86% to 5.94% in 2018.

There were no transfers between levels in the fair value hierarchy as at December 31, 2019 and 2018.

The table below presents the financial assets and liabilities of the Company whose carrying amounts approximate the fair values due to the short-term nature of the transactions:

	Note	2019	2018
Financial Assets			
Cash and cash equivalents	4	**₱253,868,632**	₱2,853,751
Nontrade receivables*	5	**270,148**	1,153,600
Advances to related companies	12	**193,117,711**	20,940,811
Restricted cash		**–**	378,834,896
Advances to subsidiaries	7	**10,316,218,474**	9,713,062,357
		₱10,763,474,965	₱10,116,845,415
Financial Liabilities			
Payables and other current liabilities**	9	**₱30,706,781**	₱11,232,178
Advances from related companies	12	**1,527,191,219**	144,301,175
		₱1,557,898,000	₱155,533,353

**Excluding advances to employees amounting to ₱0.2 million as at December 31, 2019 and 2018.*
***Excluding provisions and statutory payables aggregating ₱11.2 million and ₱0.8 million as at December 31, 2019 and 2018, respectively.*

Advances to Subsidiaries. These advances are due and demandable but since the Company has no intention to collect these advances within one year, these are presented as noncurrent. However, since the timing and amounts of future cash flows cannot be reasonably and reliably estimated, these are presented at cost.

17. Contingencies

There are on-going litigations involving the Company which are either pending decision by the proper judicial bodies or under negotiation, the outcome of which are presently undeterminable. The management has assessed, in consultation with their legal counsel, that the ultimate disposition of these cases, disputes and assessments will not have a material adverse effect on the financial position or results of operations of the Company.

18. Note to Statements of Cash Flow

The Company's noncash activities are presented below:

	Note	2019	2018	2017
Transfer of interest expense to subsidiaries	12	**₱199,876,702**	₱222,125,433	₱266,992,662
Application of advances to subsidiaries for investment in subsidiaries	12	**750,000**	–	–

The reconciliation of the Company's liabilities arising from financing activities is presented below:

	2018	**Cash Flows**	**Noncash Flows**	**2019**
Long-term debt	**₱5,521,018,230**	**(₱4,776,785,714)**	**(₱744,232,516)**	**₱–**
Advances from related companies	**144,301,175**	**438,780,826**	**944,109,218**	**1,527,191,219**
	₱5,665,319,405	**(₱4,338,004,888)**	**₱199,876,702**	**₱1,527,191,219**

	2017	Cash Flows	Non-cash Flows	2018
Long-term debt	₱6,190,037,923	(₱690,942,609)	₱21,922,916	₱5,521,018,230
Advances from related companies	27,140,187	117,160,988	–	144,301,175
	₱6,217,178,110	(₱573,781,621)	₱21,922,916	₱5,665,319,405

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Alphaland Corporation
Alphaland Makati Place
7232 Ayala Ave. ext. cor. Malugay Street
Makati City

We have audited the accompanying separate financial statements of Alphaland Corporation (the Company) as at December 31, 2019 and 2018 and for the three years ended December 31, 2019, 2018 and 2017, on which we have rendered our report dated March 2, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 75 stockholders owning 100 or more shares each.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 81207-SEC Group A
Valid until January 29, 2025
BIR Accreditation No. 08-005144-004-2019
Valid until October 16, 2022
PTR No. 8116474
Issued January 6, 2020, Makati City

March 2, 2020
Makati City, Metro Manila

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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Makati City 1226 Philippines
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Website : www.reyestacandong.com

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULE FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Alphaland Corporation
Alphaland Makati Place
7232 Ayala Ave. ext. cor. Malugay Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Alphaland Corporation (the Company) as at and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated March 2, 2020. Our audits were made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration as at December 31, 2019 is the responsibility of the Company's management.

The supplementary schedule is presented for purposes of complying with Revised Securities Regulation Code Rule 68, and is not part of the basic separate financial statements. The supplementary schedule has been subjected to the auditing procedures applied in the audit of the basic separate financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic separate financial statements taken as a whole.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until August 15, 2021
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March 2, 2020
Makati City, Metro Manila

ALPHALAND CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2019

	Amount
Deficit at beginning of year	(₱397,266,022)
Net income during the year	4,751,235,547
Treasury shares	(1,213,526)
Retained earnings at end of year*	₱4,352,755,999

**Under the Security and Exchange Commission Memorandum Circular 11-2008, paid-in capital to be considered in the computation of retained earnings available for dividend declaration includes the outstanding capital stock and additional paid-in capital. For the Company's retained earnings available for dividend declaration, the Company plans to appropriate ₱2.0 billion for corporate projects and programs approved by the Executive Committee of the Board of Directors.*