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S.E.C. Registration Number

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(Company's Full Name)

21st Floor, Pacific Star Building, Senator Gil Puyat Avenue corner Makati Avenue, Makati City
 (Business Address: No. Street City / Town / Province)

JOHN PAUL C. FLORES

Contact Person

(632) 7935500

Company Telephone Number

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MonthDay
Fiscal Year

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FORM TYPE

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Month Day
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total Amount of Borrowings

P 17,490,036,338	
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To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **June 30, 2018**
2. Commission identification number: **60566**
3. BIR Tax Identification: **004-504-281-000**
4. Exact name of registrant as specified in its charter:
CENTURY PROPERTIES GROUP INC. (formerly East Asia Power Resources Corporation)
5. Province, country or other jurisdiction of incorporation or organization:
Metro Manila, Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of registrant's principal office/Postal Code:
21ST Floor, Pacific Star Building, Senator Gil Puvat corner Makati Avenue, Makati City
8. Registrant's telephone number, including area code:
(632) 7935500
9. Former name, former address and former fiscal year, if changed since last report:
EAST ASIA POWER RESOURCES CORPORATION, Ground Floor, PFDA Building, Navotas Fishport Complex, Navotas Metro Manila
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	11,599,600,690 Common Shares 100,123,000 Treasury Shares



11x. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange, Inc.; 11,699,723,690 Common shares

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []



TABLE OF CONTENTS

PART I – FINANCIAL STATEMENTS

Item 1. Financial Statements

- Comparative Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017
- Comparative Consolidated Statements of Income for the six months ended June 30, 2018 and 2017
- Comparative Consolidated Statements of Changes in Equity for the six months ended June 30, 2018 and 2017
- Comparative Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017.
- Notes to Consolidated Financial Statements

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

- 1st Half 2018 vs. 1st Half 2017
- Key Performance Indicators
- Material Changes (5% or more) – Statement of Financial Condition
- Material Changes (5% or more) – Statement of Comprehensive Income
- Financial Condition

PART II – OTHER INFORMATION



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 26)	₱1,855,012,361	₱1,400,358,850
Receivables (Notes 6 and 26)	7,957,758,225	7,541,265,718
Real estate inventories (Note 7)	16,495,980,622	15,187,415,092
Due from related parties (Note 26)	512,782,205	491,245,948
Advances to suppliers and contractors (Note 9)	2,313,911,736	1,963,978,130
Prepayments and other current assets (Note 10)	1,231,443,137	1,008,973,064
Total Current Assets	30,366,888,286	27,593,236,802
Noncurrent Assets		
Real estate receivables – net of current portion (Notes 6 and 25)	2,277,806,842	2,442,243,070
Land held for future development (Note 8)	1,718,064,007	658,453,116
Deposits for purchased land (Note 11)	1,518,850,423	1,369,569,806
Investments in and advances to joint ventures and associate (Note 12)	235,153,705	235,153,705
Investment properties (Note 13)	8,637,428,945	7,759,560,458
Property and equipment (Note 14)	1,104,399,430	1,068,560,030
Deferred tax assets – net	95,511,637	103,988,756
Other noncurrent assets (Note 15)	1,172,353,530	1,324,884,878
Total Noncurrent Assets	16,759,568,519	14,962,413,819
	₱47,126,456,805	₱42,555,650,621

LIABILITIES AND EQUITY

Current Liabilities		
Accounts and other payables (Notes 16 and 26)	₱4,785,963,258	₱3,832,132,843
Customers' advances and deposits (Note 17)	3,064,364,565	2,758,601,607
Short-term debt (Notes 18 and 26)	1,487,889,296	1,415,894,637
Current portion of:		
Long-term debt (Notes 18 and 26)	4,270,230,499	3,099,349,179
Liability from purchased land (Notes 20 and 26)	67,200,000	67,200,000
Due to related parties (Note 25)	27,816,468	48,171,031
Income tax payable	–	3,230,756
Total Current Liabilities	13,703,464,086	11,224,580,053

(Forward)

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Noncurrent Liabilities		
Long-term debt – net of current portion (Notes 18 and 26)	₱11,731,916,543	₱10,083,496,246
Bonds payable (Notes 19 and 26)	1,500,966,910	1,500,966,910
Liability from purchased land – net of current portion (Notes 20 and 26)	381,041,742	381,041,742
Pension liabilities	208,556,449	235,467,111
Deferred tax liabilities – net	2,441,027,652	2,451,358,064
Other noncurrent liabilities	507,846,334	423,119,032
Total Noncurrent Liabilities	16,771,355,630	15,075,449,105
Total Liabilities	30,474,819,716	26,300,029,158
Equity (Note 21)		
Capital stock	6,200,853,553	6,200,853,553
Additional paid-in capital	2,639,742,141	2,639,742,141
Treasury shares	(109,674,749)	(109,674,749)
Other components of equity	99,153,681	99,153,681
Retained earnings	7,155,569,541	6,922,976,884
Remeasurement loss on defined benefit plan	(34,579,987)	(34,579,987)
Total Equity Attributable to Equity Holders of the Parent Company	15,951,064,180	15,718,471,523
Non-controlling interest (Note)	700,572,909	537,149,940
Total Equity	16,651,637,089	16,255,621,463
Total Liabilities and Equity	₱47,126,456,805	₱42,555,650,621



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Apr – Jun 2018 Q2 2018 (Unaudited)	Apr – Jun 2017 Q2 2017 (Unaudited)	Jan – Jun 2018 1H 2018 (Unaudited)	Jan – Jun 2017 1H 2017 (Unaudited)
REVENUE				
Real estate sales	P1,477,557,701	P867,574,775	P3,821,380,613	P2,098,638,183
Property management fee and other services	87,292,186	84,463,902	179,535,037	167,970,482
Leasing revenue	108,904,458	70,620,901	192,948,188	152,554,200
Interest and other income	159,774,150	372,324,698	495,884,710	933,371,008
	1,833,528,495	1,394,984,276	4,689,748,548	3,352,533,873
COST AND EXPENSES				
Cost of real estate sales	602,612,088	452,715,998	2,034,859,726	1,243,341,595
Cost of services	68,927,345	70,139,805	139,408,519	135,672,620
Cost of leasing	35,657,922	21,447,802	91,963,475	77,063,063
General, administrative and selling expenses (Note 23)	733,420,425	560,152,500	1,579,277,450	1,154,944,027
Interest and other financing charges	118,369,473	104,569,726	248,191,961	241,202,252
	1,558,987,253	1,209,025,831	4,093,701,131	2,852,223,557
INCOME BEFORE INCOME TAX	274,541,242	185,958,445	596,047,417	500,310,316
PROVISION FOR INCOME TAX	84,776,887	33,594,275	106,202,117	54,497,371
NET INCOME	189,764,355	152,364,170	489,845,300	445,812,945
OTHER COMPREHENSIVE LOSS				
Item that will be reclassified into profit or loss:				
Unrealized gain (loss) on available-for-sale financial assets	-	-	-	-
Item that will not be reclassified into profit or loss:				
Remeasurement loss on defined benefit plan	-	-	-	-
	-	-	-	-
TOTAL COMPREHENSIVE INCOME	P189,764,355	P152,364,170	P489,845,300	P445,812,945
Net income attributable to:				
Equity holders of the Parent Company	P162,162,844	P152,364,170	P432,592,656	P445,812,945
Non-controlling interests	27,601,511	-	57,252,644	-
	P189,764,355	P152,364,170	P489,845,300	P445,812,945
Total comprehensive income attributable to:				
Equity holders of the Parent Company	P162,162,844	P152,364,170	P432,592,656	P445,812,945
Non-controlling interests	27,601,511	-	57,252,644	-
	P189,764,355	P152,364,170	P489,845,300	P445,812,945
Basic/diluted earnings per share (Note 22)	P0.014	P0.013	P0.037	P 0.038



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
CAPITAL STOCK (Note 21)	₱6,200,853,553	₱6,200,853,553
ADDITIONAL PAID-IN CAPITAL (Note 21)	2,639,742,141	2,639,742,141
TREASURY SHARES (Note 21)	(109,674,749)	(109,674,749)
RETAINED EARNINGS (Note 21)		
Balance at beginning of year	6,922,976,884	6,497,730,643
Net Income	432,592,656	445,812,945
Dividend Declared	(199,999,999)	(205,065,834)
Balance at end of period	7,155,569,541	6,738,477,754
OTHER COMPONENT OF EQUITY (Note 21)	99,153,681	58,869,696
REMEASUREMENT LOSS ON DEFINED BENEFIT PLAN	(34,579,987)	(60,886,808)
TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY	15,951,064,180	15,467,381,587
NON-CONTROLLING INTEREST		
Beginning Balance	537,149,940	-
Net Income	57,252,644	-
Investment from non-controlling interest	106,170,325	119,785,810
Ending Balance	700,572,909	119,785,810
	₱16,651,637,089	₱15,587,167,397



CONSOLIDATED CASH FLOW STATEMENTS

	Six Months Ended June 30	
	2018	2017
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱596,047,417	₱500,310,316
Adjustments for:		
Interest expense	162,287,287	143,005,391
Depreciation and amortization	19,808,411	15,342,920
Retirement expense	1,305,791	8,360,621
Gain from sale of investment property	(105,537,657)	–
Interest income	(164,237,792)	(481,412,526)
Operating income before working capital changes	509,673,457	185,606,722
Decrease (increase) in:		
Receivables	87,217,276	1,699,976,125
Real estate inventories	(1,166,300,438)	(613,735,135)
Advances from suppliers and contractors	(349,933,606)	(443,421,325)
Prepayments and other current and non-current assets	(72,948,116)	(492,289,009)
Increase (decrease) in:		
Accounts and other payables	753,575,436	(186,787,564)
Customers' advances and deposits	305,762,958	(269,980,873)
Cash provided by (used in) operations	67,046,967	(120,631,059)
Interest received	31,870,769	30,316,981
Interest paid	(304,552,379)	(518,618,842)
Income tax paid	(111,286,167)	–
Retirement benefits paid	(28,216,453)	–
Net cash used in operating activities	(345,137,263)	(608,932,920)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Land held for future development	(988,812,072)	(124,093,178)
Due to/from related parties	(41,890,820)	(5,977,107)
Investment properties	(979,237,362)	(326,549,752)
Property and equipment	(52,638,420)	(29,288,350)
Deposits for purchased land	(220,079,436)	–
Investments in and advances to joint ventures	–	(1,044,000)
Net cash used in investing activities	(2,282,658,110)	(486,952,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of short-term and long-term debt	7,164,354,218	1,914,186,412
Repayments of short-term and long-term debt	(4,273,057,942)	(1,805,959,229)
Repayments of liability from purchased land	–	(12,802,321)
Payment of dividends	–	(205,065,834)
Investment from non-controlling interest	106,170,325	–
Proceeds from deposits for preferred shares	84,982,283	–
Net cash provided by (used in) financing activities	3,082,448,884	(109,640,972)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	454,653,511	(1,205,526,279)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,400,358,850	3,343,072,343
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱1,855,012,361	₱2,137,546,064



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Century Properties Group Inc. (the Parent Company or CPGI), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 6, 1975. The Parent Company is a 59.34%-owned subsidiary of Century Properties Inc. (CPI) and the rest by the public. The Group is primarily engaged in the development and construction of residential and commercial real estate projects.

The registered office address of the Parent Company is 21st Floor Pacific Star Building, Sen. Gil Puyat corner Makati Avenue, Makati City.

The Parent Company and its subsidiaries are collectively referred to herein as the "Group".

1.2 RECENT TRANSACTIONS

Joint Venture with Mitsubishi Corporation

In September 2015, Century Properties, through wholly-owned subsidiary, Century City Development II Corporation, and global business enterprise Mitsubishi Corporation announced their partnership to develop, lease out, and maintain the world's first Forbes-branded commercial building through a joint venture agreement. The Forbes Tower will be located in Century Properties' flagship Century City in Makati City. It will have a total gross floor area of approximately 95,000 square meters and will feature a wide range of premium amenities for businesses. Expected completion is 2019.

On November 12, 2015, the partners signed a ₱2.2 billion loan facility with Bank of the Philippine Islands (BPI) as lender. Proceeds from the ten year ₱2.2 billion senior loan facility will be used to partly finance the ₱4.5 billion Forbes Tower. The balance of ₱2.3 billion will be funded through equity contributions of 60 percent from Century Properties and 40 percent from Mitsubishi Corporation.

Launch of first hotel development

On August 27, 2015, the Company announced that it has secured a term loan facility that will partly fund the construction of the sixth tower of its Acqua Private Residences project in Mandaluyong City. The project will feature a hybrid of residential units for sale, hotel suites, and preferred shares as fractional ownership of hotel units. Century's first hotel development is a strategic partnership with AccorHotels and will be called Novotel Suites Manila at Acqua, in line with its plans to diversify into the allied real estate segments of leisure and tourism to strengthen its portfolio. The 5-year facility was led by mandated lead arranger and book runner, Standard Chartered Bank.

This is the third facility arranged by Standard Chartered for Century, the first being a dual-currency secured term loan of ₱4.2 billion in 2013, which matures in 2018, and the second, bilateral facility of ₱500 million, which was fully paid in 2015.

Acqua 6 is the last tower launched at the 2.4-hectare property and will be completed in 2019. Niagara, Sutherland, Dettifoss and Livingstone, the first four towers, have been completed and are currently undergoing unit turnover. The fifth tower, Iguazu, will be completed in 2018.

Integrated Resort Project in Palawan

On April 21, 2015, the Company announced that it had signed a memorandum of agreement to acquire 56 hectares of property to develop a beachfront lifestyle destination development in the municipality of San Vicente in Palawan.

Launch of Affordable Housing Unit: Another Partnership with Mitsubishi Corporation

In November 2016, Century Properties has again partnered with the global business enterprise Mitsubishi Corporation to develop horizontal housing units that target first time homebuyers.

In line with its Century 2020 blueprint, Century is proceeding with its diversification into affordable housing to tap the first homebuyer market in high growth areas in the peripheries of Metro Manila. As its initial foray, the company has secured a 26-hectare property in Tanza, Cavite to develop around 3,000 homes.

In 2015, the Company identified affordable housing as one of the two allied real estate segments together with tourism for its business expansion. The move seeks to address the strong demand in the affordable segment, which, per statistics, has a significant share in the housing backlog of ₱5.56 million for 2016.

For the six month period ending June 30, 2018, affordable segment contributed ₱503.00 million of real estate revenue increasing the Groups' total revenue for the period.

On May 16, 2018, CPG signed of a joint venture agreement with Mitsubishi Corporation to establish a company for affordable housing which will be named PHirst Park Homes, Inc. (The joint venture company (to be named PHirst Park Homes, Inc.) will be incorporated after the Joint Venture Agreement has secured clearance from the Philippine Competition Commission.

Under the terms of the agreement, CPG will subscribe to 60% and Mitsubishi to 40% of the authorized capital stock equivalent to ₱5.00 billion over the same 5-year horizon.

PHirst Park Homes, Inc. aims to launch about 15 projects within the next 5 years with a total of roughly 33,000 units. Each site will be 15 to 20 hectares and it is currently in various stages of land banking. This is equivalent to around ₱57.00 billion in Project Sales Value, with capital expenditures estimated at around ₱10.00 billion over the first 5 years.

1.3 SUBSIDIARIES AND ASSOCIATE

Below is the Company's percentage of ownership in its Subsidiaries and Associate as of the filing of this report.

	Percentage of Ownership as of the Filing of the Report	
	Direct	Indirect
Century Communities Corporation (CCC)	100	-
Century City Development Corporation (CCDC)	100	-
Century Limitless Corporation (CLC)	100	-
Century Properties Management Inc. (CPMI)	100	-
Century Destinations and Lifestyle Corp. (Formerly Century Properties Hotel and Leisure, Inc.)	100	-
A2Global Inc.	49	-

Currently, the Company has five wholly-owned subsidiaries namely Century Communities Corporation (CCC), Century City Development Corporation (CCDC), Century Limitless Corporation (CLC), Century Properties Management Inc. (CPMI) and Century Properties Hotel and Leisure, Inc. (CPHLI). Through these Subsidiaries, CPGI develops, markets and sells residential, office, medical and retail properties in the Philippines, as well as manages residential and commercial properties in the Philippines.

Century Communities Corporation

CCC, incorporated in 1994, is focused on horizontal house and lot developments. From the conceptualization to the sellout of a project, CCC provides experienced specialists who develop and execute the right strategy to successfully market a project. CCC is currently developing Canyon Ranch, a 25-hectare house and lot development located in Carmona, Cavite.



Century City Development Corporation

CCDC, incorporated in 2006, is focused on developing mixed-use communities that include residences, office and retail properties. CCDC is currently developing Century City, a 3.4-hectare mixed-use development along Kalayaan Avenue in Makati City.

Century Limitless Corporation

CLC, incorporated in 2008, is Century's brand category that focuses on developing high-quality, affordable residential projects. Projects under CLC will cater to first-time home buyers, start-up families and investors seeking safe, secure and convenient homes.

Century Properties Management, Inc.

Incorporated in 1989, CPMI is one of the largest property management companies in the Philippines, as measured by total gross floor area under management. CPMI currently has 46 projects in its portfolio, covering a total gross floor area of 2.55 million sq.m. CPMI has been awarded 18 safety and security distinctions from the Safety Organization of the Philippines.

Century Destinations and Lifestyle Corp (CDLC)

Incorporated in 2014, CDLC shall operate, conduct and engage in hotel business and related business ventures.

A2Global Inc.

Incorporated in 2013, CPGI has a 49% shareholdings stake in associate, in A2Global, Inc., a company shall act as a sub-lessee for the project initiatives of Asian Carmakers Corporation (ACC) and Century Properties Group Inc. in the development and construction commercial office in Bonifacio Global City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (the Group).

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for investment properties and derivative assets that are measured at fair value. The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).



Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly owned subsidiaries:

	Percentage Ownership		
	2018	2017	2016
Century Limitless Corporation (CLC)	100	100	100
Century Acqua Lifestyle Corporation (CALC)	100	100	100
Tanza Properties I, Inc. (TPI I)	60	60	100
Tanza Properties II, Inc. (TPI II)	60	60	100
Tanza Properties III, Inc. (TPI III)	60	60	100
Century Properties Management, Inc. (CPMI)	100	100	100
Siglo Suites, Inc. (SSI)	100	100	100
Siglo Commercial Management Corporation (SCMC)	100	100	–
Century Communities Corporation (CCC)	100	100	100
Century City Development Corporation (CCDC)	100	100	100
Century City Development Corporation II	60	60	60
Centuria Medical Development Corporation (CMDC)	100	100	100
Knightsbridge Residences Development Corporation*	100	100	100
Milano Development Corporation (MDC)	100	100	100
Century City Development Corporation VII*	100	100	100
Century City Development Corporation VIII*	100	100	100
Century City Development Corporation X*	100	100	100
Century City Development Corporation XI*	100	100	100
Century City Development Corporation XII*	100	100	100
Century City Development Corporation XIV*	100	100	100
Century City Development Corporation XV*	100	100	100
Century City Development Corporation XVI*	100	100	100
Century City Development Corporation XVII*	100	100	100
Century City Development Corporation XVIII*	100	100	100
Century Destinations and Lifestyle Corp	100	100	100

*non-operating CCDC subsidiaries

On October 14, 2016, TPI I, TPI II, TPI III were incorporated as a wholly owned subsidiary of CPGI. On December 30, 2016, CPGI assigned all its interest to the aforementioned Companies to CLC.

On September 19, 2016, SCMC, was incorporated as a wholly owned subsidiary of CPMI. SCMC was organized primarily to provide professional leasing and management services to real estate properties such as building, office space, commercial lots and other related structures whether for commercial or industrial purpose except financial leasing.

On September 23, 2014, the BOD approved cessation of operations of the non-operating CCDC subsidiaries. On the same date, the BOD approved the dissolution of these subsidiaries. Accordingly, these subsidiaries changed their basis of accounting from a going concern basis to a liquidation basis. Final dissolution will take place after the approval of the subsidiaries' application with the Bureau of Internal Revenue (BIR). As of June 30, 2018, the subsidiaries have not yet filed their application for dissolution with the BIR.

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

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. 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. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Changes in Accounting Policies and Disclosures

Amended Standards and Improved PFRS Adopted in Calendar Year 2017

The accounting policies adopted are consistent with those of the previous financial year, except that the group has adopted the following new accounting pronouncements starting January 1, 2017. Unless otherwise indicated, the adoption did not have any significant impacts on the consolidated statements of the Group.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group has provided the required additional disclosure in Note 17 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2017.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2017

The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- PFRS 9, *Financial Instruments*
PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. As PFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PFRS 9 will not have a significant impact on the Group's financial statements.

The Group is currently assessing the impact of adopting PFRS 9.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing whether to apply the full retrospective or modified retrospective method.

Based on its initial assessment, the requirements of PFRS 15 on the following may have an impact on the Group's financial position, performance and disclosures:

- Significant financing component in relation to advance payments received from customers
- Variable considerations such as discounts and penalties
- Measurement of progress for real estate

In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

The Group is currently assessing the impact of adopting PFRS 15.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- **Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures***
The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Group is currently assessing the impact of adopting this amendment.

- **Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments***
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

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

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Current versus Non-current Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk of change in value.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Initial recognition of financial instruments

Financial instruments are initially recognized at fair value, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial assets.

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

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

As of June 30, 2018 and December 31, 2017, the Group's financial instruments are of the nature of loans and receivables, derivative instrument, AFS financial assets, financial assets at FVPL and other financial liabilities.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has been no significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Day 1 difference

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial assets at FVPL. This accounting policy relates to the consolidated statements of financial position captions “Cash and cash equivalents”, “Receivables”, except for “Receivable from employees” and “Due from related parties.”

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

The losses arising from impairment of loans and receivables are recognized in profit or loss under “Miscellaneous” in “General, administrative and selling expenses” account.

AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified as designated as at FVPL, HTM, or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group’s AFS financial assets include equity investments.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are recognized in other comprehensive income and are reported as “Unrealized loss on available-for-sale financial assets” in the consolidated statement of financial position.

When the security is disposed of, the cumulative gain or loss previously is recognized in profit or loss. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. The losses arising from impairment of such investments are recognized in profit or loss under “Miscellaneous” in “General, administrative and selling expenses” account.

As of June 30, 2018 and December 31, 2017, AFS financial assets comprise of quoted equity securities.

Other financial liabilities

Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are measured at amortized cost using the effective interest rate 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.

This accounting policy applies primarily to the Group’s “Accounts and other payables”, “Due to related parties”, “Short-term debt”, “Long-term debt”, “Liability from purchased land”, “Bonds payable” and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liabilities).

Derivative Instruments

The Group enters into short-term non-deliverable currency forwards contracts and interest and currency swap to manage its currency exchange exposure related to short-term foreign currency-denominated monetary liabilities.

Derivative financial instruments recorded under “Prepayments and other current assets” are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment. The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in profit or loss. To qualify for hedge accounting, the hedging relationship must comply with strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment (both prospective and retrospective bases) and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments. The Group did not use hedge accounting for its derivatives.

Impairment of Financial Assets

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

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

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

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

AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through the consolidated statement of income.

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 Group's 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 rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset; or (ii) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

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

Financial Liability

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount 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 asset and settle the liability simultaneously.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

Real Estate Inventories

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).

Cost includes:

- Land cost
- Land improvement cost
- Borrowing cost
- Amounts paid to contractors for construction and development
- 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 business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

The cost of inventory recognized in the consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property and allocated to saleable area based on relative size.

Land Held for Future Development

Land held for future development consists of properties for future development that are carried at the lower of cost or NRV. Cost includes those costs incurred for development and improvement of the properties while NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Upon commencement of development, the subject land is transferred to “Real estate inventories”.

Deposits for Purchased Land

This represents deposits made to land owners for the purchase of certain parcels of land that are intended for future development. The Group normally makes deposits before a Contract to Sell (CTS) or Deed of Absolute Sale (DOAS) is executed between the Group and the land owner. These are recognized at cost.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group’s weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Investment in and Advances to Joint Venture

Investments in and advances to joint venture (investee companies) are accounted for under the equity method of accounting. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes a joint venture. On acquisition of investment, the excess of the cost of investment over the investor’s share in the net fair value of the investee’s identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor’s share of the net fair value of the investee’s identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group’s share in the net assets of the investee companies, less any impairment in values. The consolidated statement of income reflects the share of the results of the operations of the investee companies, if there’s any. The Group’s share of post-acquisition movements in the investee’s equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.



The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Investment Properties

Initially, investment properties are measured at cost including certain transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by independent real estate valuation experts based on recent real estate transactions with similar characteristics and location to those of the Group's investment properties. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

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

For a transfer from investment property to inventories, the change in use is evidenced by commencement of development with a view to sale. When the Group decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. For a transfer from investment property carried at fair value to inventories, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Property and Equipment

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

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation and amortization, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.



Depreciation and amortization of property and equipment commences once the property and equipment are put into operational use and is computed on a straight-line basis over the estimated useful life (EUL) of the property and equipment as follows:

	<u>Years</u>
Office equipment	3 – 5
Computer equipment	3 – 5
Furniture and fixtures	3 – 5
Transportation equipment	5
Construction equipment	5

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

The useful lives and depreciation and amortization method are reviewed at financial year end to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged against current operations.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the expense category of profit or loss consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

As of June 30, 2018 and December 31, 2017, the Group’s intangible assets consist of software costs and trademarks.

Software cost

Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and accumulated impairment, if any. Otherwise, such costs are recognized as expense as incurred.

Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as capital improvements and added to the original cost of the software. System development costs, recognized as assets, are amortized using the straight-line method over their useful lives, but not exceeding a period of 5 years. Where an indication of impairment exists, the carrying amount of computer system development costs is assessed and written down immediately to its recoverable amount.

Trademarks

Licenses for use of intellectual property have been granted for a period of ten (10) years by the relevant government agency. The trademarks provide the option of renewal at little or no cost to the Group. Accordingly, these licenses are assessed as having indefinite useful life.

Impairment of Non-financial Assets

The Group assesses as at reporting date whether there is an indication that its nonfinancial assets (e.g., property and equipment and intangible assets) 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 calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in the expense categories of profit or loss consistent with the function of the impaired 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 accumulated 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 revaluation increase. After such a 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.

Equity

Capital stock and additional paid-in capital

The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained Earnings

Retained earnings represent accumulated earnings of the Group less any dividends declared, if any.

Treasury shares

Treasury shares are own equity instruments which are reacquired and 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 Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Equity reserves

Equity reserves represent any difference between (1) acquisition cost and (2) the adjusted carrying value of the non-controlling interest at acquisition date.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Real estate sales

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Customers' advances and deposits" account in the "Liabilities" section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' advances and deposits" account in the "Liabilities" section of the consolidated statement of financial position.

Leasing revenue

The Group leases its commercial real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Property management fee and other services

Revenue from property management and other services is recognized when the related services are rendered. Property management fee and other services consist of revenue arising from management contracts, auction services and technical services.

Interest income

Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Income from forfeited collections

Income from forfeited collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Other income

Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract.



Cost and Expense Recognition

Cost of real estate sales

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

Cost of leasing

Cost of leasing pertains to direct costs of leasing the Group's commercial properties. These costs are expensed as incurred.

Cost of services

Cost of services pertains to direct costs of property management fee and other services. These costs are expensed as incurred.

Commission and other selling expenses

Selling expenses such as commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. These are recorded as "Deferred selling expenses" under "Prepayments and other current assets" account. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized.

General and administrative expenses

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

Pension Cost

Pension cost is computed using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with an option to accelerate when significant changes to underlying assumptions occur.

Pension cost includes a) current service cost, interest cost, past service cost; b) gains and losses, and curtailment and non - routine settlement; and c) net interest cost on benefit obligation.

The liability recognized by the Group in respect of the unfunded defined benefit pension plan is the present value of the defined benefit obligation at the reporting date together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Re-measurements, comprising of actuarial gains or losses, the effect of the asset ceiling, excluding net interest cost and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Operating Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether 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 substantial change to the asset.

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

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease while the variable rent is recognized as an expense based on the terms of the lease contract.

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 tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefit of unused tax credits from the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable 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 in the year 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 reporting date.

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



Foreign Currency Transactions

Transactions denominated in foreign currencies are initially recorded using the exchange rates prevailing at transaction dates. Foreign currency-denominated monetary assets and liabilities are retranslated using the closing exchange rates at reporting date. Exchange gains or losses arising from foreign currency transactions are credited or charged against current operations.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 4 to the consolidated financial statements.

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. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period. Diluted EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of June 30, 2018 and December 31, 2017, the Group has no dilutive potential common shares.

Contingencies

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

Events After the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Operating lease commitments - Group as lessee

The Group has entered into contracts of lease with La Costa Development Corporation (formerly Penta Pacific Realty Corporation) and other unit owners of the Pacific Star Building for its administrative office location and model units for ongoing projects. The Group has determined that these are operating leases since it does not bear substantially all the significant risks and rewards of ownership of these properties. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset.

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. Based on an evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including the economic consequence to the lessee.

Distinction between investment properties and land held for future development

The Group determines a property as investment property if such is not intended for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Land held for future development comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an 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 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 or 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 production or 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.

Distinction between real estate inventories and land held for future development

The Group determines whether a land qualifies as land held for future development once the Group has a concrete plan on how the land shall be developed the succeeding years. The Group shall then classify the land as part of the real estate inventories upon the commencement of the actual development of the land.

Receivable financing

The Group has entered into various financing transactions with local banks to assign its contract receivables. The Group has determined that it has retained substantially all the risks and rewards of ownership of these receivables because the agreements provide that the Group will substitute defaulted contracts to sell with other contracts to sell of equivalent value.

Thus, the Group still retains the assigned receivables in the receivables accounts and records proceeds from these sales as long-term debt. The gross amount of ICRs used as collateral amounted ₱6,609.9 million and ₱5,879.47 million as of June 30, 2018 and December 31, 2017, respectively (see Note 6).

Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Classification of deposit for preferred shares subscription

The Group determined that CALC's preferred shares under the "Other noncurrent liabilities" account are compound financial instruments, which contain both liability and equity components.

However, prior to full payment and availability of the rooms, the Group has determined that amounts received from the buyers of preferred shares are classified as "Deposits for preferred shares subscription" under the "Other noncurrent liabilities" account since the shareholders rights to the 28 free nights to stay at the hotel and contractual right to dividends will enure to the shareholder only upon full payment and availability of the rooms.

Management's Use of Estimates and Assumptions

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

Revenue and cost recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work. The rate of completion is validated by the responsible department to determine whether it approximates the actual completion rate. Changes in estimate may affect the reported amounts of revenue and cost of real estate sales and receivables. Carrying value of the real estate receivables amounted to ₱8,493.46 million and ₱8,783.70 million as of June 30, 2018 and December 31, 2017, respectively (see Note 6).

Collectibility of the sales price

In determining whether the sales price is collectible, the Group considers that the initial and continuing investments by the buyer of 5% would demonstrate the buyer's commitment to pay as of June 30, 2018 and December 31, 2017.

Fair value of investment properties

The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group carries its investment properties at fair value, with changes in fair value being recognized in profit or loss. The Group engages independent valuation specialists to determine the fair value. For the investment property, the appraisers used a valuation technique based on comparable market data and future cash flows available for such properties. There was no gain or loss on changes in fair value of investment properties during the period ended June 30, 2018 and 2017. Carrying value of the investment properties amounted to ₱8,637.43 million and ₱7,759.56 million as of June 30, 2018 and December 31, 2017, respectively.

In 2018 the Group sold its investment property amounted with carrying value of ₱106.37 million, a gain amounting to ₱105.54 million was recognized for the sale. (see Note 13).

Impairment losses on receivables and due from related parties

The Group reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of financial position and any changes thereto in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors. Actual results may also differ, resulting in future changes to the allowance.

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

Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of June 30, 2018 and December 31, 2017, the allowance for impairment losses on receivables of the Group amounted to ₱10.99 million (see Note 6).

The carrying values of these assets as of June 30, 2018 are as follows:

Receivables (Note 6)	₱10,235,565,067
Due from related parties (Note 25)	512,782,205

Estimating NRV of real estate inventories and land held for future development

The Group reviews the NRV of real estate inventories and land held for future development and compares it with the cost since assets should not be carried in excess of amounts expected to be realized from sale. Real estate inventories and land held for future development are written down below cost when the estimated NRV is found to be lower than the cost. NRV for completed real estate inventories and land held for future development is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions.

NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction less an estimate of the time value of money to the date of completion. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of these assets as of June 30, 2018 are as follows:

Real estate inventories (Note 7)	₱16,495,980,622
Land held for future development (Note 8)	1,718,064,007

Impairment of nonfinancial assets

The Group assesses impairment on its nonfinancial assets (e.g., property and equipment and intangible assets) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and
- Significant negative industry or economic trends.

The Group's intangible assets with indefinite life are tested for impairment annually.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's fair value less cost to sell. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the nonfinancial assets as of June 30, 2018 are shown below.

Property and equipment (Note 14)	₱1,104,399,430
Intangible assets (Note 15)	37,184,907

No impairment was recognized for the Group's nonfinancial assets as of June 30, 2018 and December 31, 2017.

Estimating EUL of property and equipment and intangible assets

The Group estimates the useful lives of its property and equipment and intangible assets other than those with indefinite lives based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation and amortization expense and decrease noncurrent assets. Property and equipment amounted to ₱1,104.40 million and ₱1,068.56 million as of June 30, 2018 and December 31, 2017, respectively (see Note 14).

Recognition of deferred tax assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income.

Estimating pension obligation

The determination of the Group's pension obligations and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in notes to the consolidated financial statements and include among others, discount rates, rate of expected return on plan assets, and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligations.

The Group's net pension liabilities amounted to ₱208.56 million and ₱235.47 million as of June 30, 2018 and December 31, 2017, respectively.

Capitalization of borrowing costs

The Group capitalizes the interest incurred on their borrowings that are directly attributable to the construction of its projects. These capitalized borrowing costs form part of the real estate inventories and are expensed out to cost of real estate sales.

The amount of borrowing costs capitalized amounted to ₱142.27 million and ₱205.55 million during the period ended June 30, 2018 and 2017, respectively.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

4. SEGMENT REPORTING

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the segment information is reported based on the nature of service the Group is providing.

The segments where the Group operate follow:

- Real estate development - sale of high-end, upper middle-income and affordable residential lots and units and lease of residential developments under partnership agreements
- Leasing - lease of the Group's retail mall
- Property management - facilities management of the residential and corporate developments of the Group and other third party projects, including provision of technical and related consultancy services.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Details of the Group's operating segments as of and for the period ended June 30, 2018 are as follows:

	Real Estate Development	Property Management	Leasing	Adjustments and Elimination	Consolidated
Revenue	₱ 3,861,775,054	₱179,535,037	₱192,948,188	(₱40,394,441)	₱4,193,863,838
Costs and expenses					
Cost of real estate sales and services	2,042,454,569	139,408,519	91,963,475	(7,594,843)	2,266,231,720
General, administrative and selling expenses	1,482,612,324	46,396,217	50,268,909	–	1,579,277,450
Operating income (loss)	336,708,161	(6,269,699)	50,715,804	(32,799,598)	348,354,668
Other income (expenses)					
Interest and other income	526,192,718	15,292,547	5,152,132	(50,752,687)	495,884,710
Interest and other financing charges	(296,298,925)	(115,325)	(2,530,398)	50,752,687	(248,191,961)
Income before income tax	566,601,954	8,907,523	53,337,538	(32,799,598)	596,047,417
Provision for income tax	89,726,363	–	16,475,754	–	106,202,117
Net income	476,875,591	8,907,523	36,861,784	(32,799,598)	489,845,300
Net income (loss) attributable to:					
Owners of the Parent Company	386,823,349	8,907,523	36,861,784	–	432,592,656
Noncontrolling interests	57,252,644	–	–	–	57,252,644
	444,075,993	8,907,523	38,009,359	–	489,845,300
Other information					
Segment assets	53,634,577,724	264,786,550	6,654,424,336	(13,522,843,441)	47,030,945,169
Deferred tax assets	75,461,839	20,049,798	–	–	95,511,637
Total Assets	53,710,039,562	284,836,348	6,654,969,256	(13,522,843,441)	47,126,456,806
Segment liabilities	35,127,197,723	272,561,469	211,544,132	(7,577,511,260)	28,033,792,064
Deferred tax liabilities	2,028,569,199	–	412,458,453	–	2,441,027,652
Total Liabilities	37,155,766,922	272,561,469	624,002,585	(7,577,511,260)	30,474,819,716

5. CASH AND CASH EQUIVALENTS

This account consists of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash on hand and in banks	₱1,376,801,661	₱1,298,625,891
Cash equivalents	478,210,700	101,732,959
	₱1,855,012,361	₱1,400,358,850

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group.

6. RECEIVABLES

This account consists of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade receivables		
Real estate	₱8,493,464,475	₱8,783,698,741
Leasing receivable	52,907,026	91,446,413
Management fees	140,938,120	96,472,671
Receivable from Employees and agents	368,346,752	312,287,656
Advances to Condominium Corporations	319,860,951	526,223,621
Advances to customers	40,908,125	41,382,274
Other receivables	830,128,905	142,986,699
	10,246,554,354	9,994,498,075
Allowance for impairment losses	(10,989,287)	(10,989,287)
	10,235,565,067	9,983,508,788
Noncurrent portion of real estate receivables	2,277,806,842	(2,442,243,070)
	₱7,957,758,225	₱7,541,265,718

Real estate receivables pertain to receivables from the sale of real estate properties including residential condominium units and subdivision house and lots. These are collectible in monthly installments over a period of one to five years, bear no interest and with lump sum collection upon project turnover. Titles to real estate properties are not transferred to the buyer until full payment has been made. Details of this account follows:

	June 30, 2018 (Unaudited)
Gross real estate receivables	₱26,475,156,812
Unamortized discount arising from noninterest-bearing receivables	(847,729,667)
	25,627,427,145
Percentage of completion adjustment	(17,133,962,670)
Carrying value of real estate receivables	₱8,493,464,475

Leasing receivables pertain to receivables arising from leasing revenue. These receivables are billed to tenants and are expected to be collected within one (1) year.

Management fees are revenues arising from property management contracts. These are collectible within 15 to 30 days.

Receivable from employees and agents pertain to cash advances for retitling costs, taxes and other operational and corporate-related expenses. This also includes salary and other loans granted to the employees and are recoverable through salary deductions. These are noninterest-bearing and are due and demandable.

Advances to condominium corporations pertains to expenses paid by the Group in behalf of the condominium corporations for turned over projects. These advances are billed separately to the respective condominium corporations and are expected to be collected within one (1) year.

Advances to customers pertain to expenses paid by the Group in behalf of the customers for the taxes and other costs incurred in securing the title in the name of the customers. These receivables are billed separately to the respective buyers and are collectible within one (1) year.

Receivable financing

The Group entered into various agreements with a local bank whereby the Group sold its real estate receivables at average interest rates of 5.50% to 7.50% as of June 30, 2018. The purchase agreements provide that the Group will substitute defaulted contracts to sell with other contracts to sell of equivalent value.

The Group still retains the sold receivables in the receivables account and records the proceeds from these sales as long-term debt (see Note 18). The gross amount of real estate receivables used as collateral amounted to ₱6,609.90 million and ₱5,879.47 million as of June 30, 2018 and December 31, 2017, respectively.

7. REAL ESTATE INVENTORIES

This account represents the real estate projects for which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines. Details of this account follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Condominium unit	₱15,985,389,915	₱14,524,417,277
Residential house and lots	510,590,707	662,997,815
	₱16,495,980,622	₱15,187,415,092

The roll forward of this account follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
At January 1	₱15,187,415,092	₱13,302,662,074
Construction costs incurred	3,201,160,164	3,989,526,028
Borrowing costs capitalized	142,265,092	842,934,738
Transfers to investment properties	-	(141,226,748)
Cost of real estate sales	(2,034,859,726)	(2,806,481,000)
At June 30	₱16,495,980,622	₱15,187,415,092

Capitalized borrowing cost represents portion of financing cost for borrowings to fund on-going constructions and developments of real estate projects.

The carrying values of inventories mortgaged for trust receipts payables and bank loans amounted to ₱10,262.10 million and ₱4,842.65 million as of June 30, 2018 and December 31, 2017, respectively.

8. LAND HELD FOR FUTURE DEVELOPMENT

Land held for future development consists of parcels of land acquired by the Group for future real estate development.

This account consists of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Land held by CCC	₱388,333,944	₱388,333,944
Land held by CLC	1,311,352,007	251,741,116
Land held by TPI II and TPI III	18,378,056	8,378,05
	₱1,718,064,007	₱658,453,116

Land held by CCC

This pertains to a property with an area of 200,000 sqm located in Novaliches, Quezon City which was acquired by the Group intended for development into a mixed development housing project.

Land held by CLC

On April 5, 2011, CLC acquired an industrial lot located in Mandaluyong City with an area of 14,271 sqm under the registered name of Noah's Ark Sugar Refinery for ₱43.00 million.

In 2016, CLC acquired a parcel of land situated in Batangas with an area of 359,677 sqm under the registered name of Citystate Nasugbu Development Corporation amounting to ₱208.74 million.

In 2018, CLC fully paid for the land acquired in Quezon City totaling ₱1,059.61 million. Also in 2018, these were reclassified to land held for future development after execution of the DOAS between the Group and the land owners.

Land Held by TPI II and TPI III

In 2016, TPI II and TPI III purchased land amounting to ₱9.07 million and ₱9.31 million, respectively, located along Governors Drive, Barangay Tanauan, Tanza Cavite. These were shown as part of “Deposit for purchased land” account in the 2016 consolidated statements of financial position due to the ongoing processing of the deed of absolute sale (DOAS) and other related documents. In 2017, these were reclassified to land held for future development after execution of the DOAS between the Group and the land owners.

9. ADVANCES TO SUPPLIERS AND CONTRACTORS

Advances to suppliers and contractors amounting to ₱2,313.91 million and ₱1,963.98 million as of June 30, 2018 and December 31, 2017, respectively, are recouped upon every progress billing payment depending on the percentage of accomplishment.

10. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Deferred selling expenses	₱379,820,430	₱326,033,219
Creditable withholding taxes	434,568,661	336,448,206
Input taxes	359,289,871	284,693,547
Prepaid expenses	9,907,037	11,268,608
Others	47,857,138	50,529,484
	₱1,231,443,137	₱1,008,973,064

Deferred selling expenses pertain to costs incurred in selling real estate projects. These are charged to expense when the related revenue is recognized. See Note 15 for noncurrent portion.

Creditable withholding taxes are attributable to taxes withheld by third parties arising from real estate sale, property management fees and leasing revenues.

Input taxes are fully realizable and will be applied against output VAT.

Prepaid expenses mostly pertain to prepayments of insurance premiums which will be applied throughout the remaining term of the related contracts.

Others includes marginal deposits, which pertains to cash hold-out for short-term loans which will be applied as payments of the related loans, it also includes various supplies.

11. DEPOSIT FOR PURCHASED LAND

This account pertains to payments made to property owners for the acquisition of parcels of land in Quezon City, Metro Manila, Novaliches, Metro Manila and Mandaluyong, Metro Manila that are intended for future development. The Group normally makes deposits before a contract to sell (CTS) or deed of absolute sale (DOAS) is executed between the Group and the land owner. These are recognized at cost.

In 2018, CLC finalized its Deed of Sales (DOAS) for the land acquired in Quezon City amounting to ₱1,059.61 million. This amount was reclassified to Land held for future development.

The balance of Deposits for purchased land amounted to ₱1,518.85 million and ₱1,369.57 million as of June 30, 2018 and December 31, 2017, respectively.

12. INVESTMENT IN AND ADVANCES TO JOINT VENTURES AND ASSOCIATE

The Group's investments in and advances to joint ventures and associate are shown below.

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Joint venture:		
A2Global, Inc.	₱3,055,000	₱3,055,000
One Pacstar Realty Corporation	184,399,960	184,399,960
Two Pacstar Realty Corporation	39,698,845	39,698,845
Associate:		
Asian Breast Center Inc. (ABC)	7,999,900	7,999,900
	₱235,153,705	₱235,153,705

Investment in A2Global Inc.

As of June 30, 2018, A2Global is still in preoperating stage.

In 2013, the Parent Company entered into an agreement with Asian Carmakers Corp. (ACC) and other individuals which aim to create an entity with the primary purpose to develop, own and manage properties of all kinds and nature and to develop them into economic and tourism zones, golf course, theme parks and all other forms of leisure estates.

On February 26, 2013, the Parent Company acquired 122,200 shares in A2Global Inc.(A2Global) with an acquisition price of ₱3.06 million, for a 48.88% ownership. A2Global has six directors, three from the Parent Company and three from ACC.

According to its by-laws, most of the major business decisions of A2Global shall require the majority decision of the board. Because the board is equally represented, the arrangement is considered a joint venture and is measured using the equity method.

Total investments in and advances made by the Parent Company to A2Global for working capital and other expenses amounted to ₱3.06 million as of June 30, 2018 and December 31, 2017.

Investment in One Pacstar Realty Corporation and Two Pacstar Realty Corporation

On October 22, 2014, CLC entered into an agreement with La Costa Development Corporation, Inc. (La Costa) to take out the loan of La Costa with Union Bank of the Philippines in its name and for its sole account.

For and in consideration of the loan take out, La Costa transferred, ceded, and conveyed 196,250 shares of One Pacstar Realty Corporation (One Pacstar) and 42,250 shares of Two Pacstar Realty Corporation (Two Pacstar).

Provisions in the agreement grant CLC to vote using the owned shares in the meetings of the stockholders of One Pacstar and Two Pacstar. The Group currently owns 50% of the total voting shares with the remaining 50% owned by La Costa for both One Pacstar and Two Pacstar. This is tantamount to the two companies having joint control over One Pacstar and Two Pacstar. The primary purpose of One Pacstar and Two Pacstar is to acquire, own, lease, and manage lands and all other kinds of real estate properties.

Investment in Asian Breast Center Inc.

On January 7, 2016, CMDC acquired 79,999 shares in Asian Breast Center, Inc. (ABC) with an acquisition price of ₱8.00 million, for a 20.78% ownership. ABC has five (5) directors, one from CMDC and four from ABC.

13. INVESTMENT PROPERTIES

The Group's investment properties are classified as of June 30, 2018 is shown below:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Land	₱3,004,305,237	₱3,004,305,237
Building	2,759,187,790	2,759,187,790
Construction-in-progress	2,873,935,918	1,996,067,431
	₱8,637,428,945	₱7,759,560,458

Movements in this account are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cost:		
Balance at beginning of year	₱4,945,149,725	₱3,408,080,574
Additions/construction costs incurred	979,237,362	1,395,842,403
Disposal	(69,730,989)	-
Transfer from real estate inventories	-	141,226,748
Balance at the end of the quarter	5,854,656,098	4,945,149,725
Change in fair value:		
Balance at beginning of year	2,814,410,733	2,528,382,473
Disposal	(31,637,886)	286,028,260
Balance at the end of the quarter	2,782,772,847	2,814,410,733
	₱8,637,428,945	₱7,759,560,458

Investment properties are stated at fair value, which has been determined based on valuations performed by Cuervo Appraisers, Inc., an accredited independent valuer, as of December 31, 2017. Cuervo Appraisers, Inc. is an industry specialist in valuing these types of investment properties.

The fair value of the investment properties was estimated using the Sales Comparison Approach (SCA), Depreciated Replacement Cost (DRC) and the discounted cash flow method (DCF). SCA is an approach that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. DRC determines the replacement cost of each replaceable asset in accordance with current market prices of materials, labor, contractor's overhead, profit and fees, and all other attendant costs associated with its acquisition and installation in place but without provision for overtime or bonuses for labor and premiums for materials. This replacement cost is adjusted for accrued depreciation as evidenced by observed condition and extent, character and utility of the property. DCF considers the future cash flows from lease contracts.

In 2018 the Group sold its investment property with carrying value of ₱106.37 million, a gain amounting to ₱105.54million was recognized for the sale and was recorded as part of other income.

As of June 30, 2018, the Group recognized leasing revenue from the said real properties amounting ₱192.95 million and incurred direct leasing cost amounting to ₱91.96 million.

14. PROPERTY AND EQUIPMENT

During the year the Group acquired property and equipment amounting to ₱19.06 million and incurred construction cost for Novotel Suites Manila at Acqua 6 Tower of Acqua Private Residences amounting ₱33.58 million.

Depreciation expense amounted to ₱16.80 million and ₱15.54 million for the six months ended June 30, 2018 and June 30, 2017, respectively.

15. OTHER NON-CURRENT ASSETS

This account consists of:

	June 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Deferred selling expenses	₱555,040,591	₱563,795,933
Advances to Land owners	350,000,000	350,000,000
Rental deposits	165,292,102	163,826,522
Land	45,559,836	45,559,836
Intangible assets	37,184,907	40,516,404
Deferred financing costs	–	140,385,019
Others	19,276,094	20,801,164
	₱1,172,353,530	₱1,324,884,878

Deferred selling expenses pertain to costs incurred in selling real estate projects prior to its development. These costs are charged to expense in the period when the related revenue is recognized. See Note 10 for current portion.

Advances to lands owners represents deposits made to land owners for the purchase of certain parcels of land that are intended for future development for which CTS and DOAS are still currently in process

Rental deposits mostly pertain to security deposits held and applied in relation to the Group's lease contracts for their administrative and sales offices. The deposits are noninterest-bearing and are recoverable through application of rentals at the end of the lease term.

Intangible assets include software costs and trademarks. Software cost includes application software and intellectual property licenses owned by the Group. Trademarks are licenses acquired separately by the Group. These licenses arising from the Group's marketing activities have been granted for a minimum of 10 years by the relevant government agency with the option to renew at the end of the period at little or no cost to the Group. Previous licenses acquired have been renewed and enabled the Group to determine that these assets have an indefinite useful life. As of June 30, 2018 and 2017, no impairment has been recognized on these assets.

Others include miscellaneous deposits which pertain primarily to utility deposits related to the construction activities of the Group and AFS investments in quoted shares of stock as of June 30, 2018 and December 31, 2017.

16. ACCOUNTS AND OTHER PAYABLES

This account consists of:

	June 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Accounts payable	₱3,253,295,286	₱2,284,425,291
customers' advances	701,650,647	735,361,772
Retention Payable	322,459,728	288,296,862
Accrued expenses	141,125,766	265,835,328
Taxes payable	110,569,472	223,379,478
Dividends payable (Note 21)	199,999,999	–
Other Payables	56,862,360	34,834,112
	₱4,785,963,258	₱3,832,132,843

Accounts payable are attributable to the construction costs incurred by the Group. These are noninterest-bearing and with terms of 15 to 90 days.

Customer's advances pertain to payments from buyers for the costs of transfer, registration fees and other taxes related to the title transfer and property turn-over.

Retentions payable are noninterest-bearing and are normally settled on a 30-day term upon completion of the relevant contracts.

Accrued expenses consist mainly of utilities, marketing costs, professional fees, communication, transportation and travel, security, insurance, and representation.

Taxes payable represent output VAT and withholding taxes payable to the government.

17. CUSTOMERS' ADVANCES AND DEPOSITS

The Group requires buyers of residential units to pay a minimum percentage of the total selling price as deposit before a sale transaction is recognized. In relation to this, the customers' advances and deposits represent payments from buyers which have not reached the minimum required percentage. When the level of required payment is reached by the buyer, a sale is recognized and these deposits and down payments will be applied against the related installment contracts receivable.

The account also includes the excess of collections over the recognized receivables based on percentage of completion. As of June 30, 2018 customers' advances and deposits amounted to ₱3,064.36 million.

18. SHORT-TERM AND LONG-TERM DEBT

Short-term Debt

Short-term debt consists of:

	June 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Trust receipts	₱728,889,296	₱656,894,637
Bank loans - Philippine Peso	759,000,000	759,000,000
	₱1,487,889,296	₱1,415,894,637

Trust receipts (TRs) are obtained from various banks to finance purchases mainly of construction materials for the CCDC, CLC and MDC's projects. The banks essentially pay the Company's suppliers then require the Company to execute trust receipts over the goods purchased. The TRs have a weighted average interest rate 6.82% per annum as of June 30, 2018. This is higher compared to the 6.30% weighted average interest rate as of December 31, 2017.

Bank loans pertain to short-term promissory note (PN) amounting to ₱5.00 million which was obtained from a local bank for CPMI's additional working capital requirements. This is renewed by CPMI each year for the same terms and rates of interest. The PN has a term of one (1) year with a fixed interest rate of 6.50% per annum (p.a.) and principal repayment of which is to be made at maturity date.

On August 8, 2017, the Parent Company obtained a short-term promissory note (PN) with Chinabank Corporation (CBC) amounting to ₱502.00 million with interest rate at 4% in 2017. The loan facility has a term of six (6) months, principal repayment of which is to be made at maturity date. The loan facility was renewed by the Parent Company with interest rate of 4.5% in 2018.

On December 19, 2017, the Group's subsidiary also obtained a short-term promissory note (PN) with Chinabank Corporation (CBC) amounting to ₱252.00 million with interest rate at 4.25% in 2017. The loan facility has a term of nine (9) months, principal repayments of which is to be made at maturity.

Long-term Debt

Long-term debt consists of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Bank loans	₱10,083,204,757	₱5,863,689,269
Payable under CTS financing	5,896,127,165	7,289,936,091
Car loan financing	22,815,120	29,220,065
	16,002,147,042	13,182,845,425
Less current portion	4,270,230,499	3,099,349,179
	₱11,731,916,543	₱10,083,496,246

Bank loan – Philippine Peso

Bank loans pertain to long-term debt from various banks used to finance the construction and development of the Group's projects.

In 2018, the Group's subsidiary entered into an Omnibus Agreement with Standard Chartered Bank for a senior secured dollar term loan facility up to USD40 million to finance the planned construction and development of its properties and to refinance its unpaid debts. Under this agreement the utilization of the loan shall be subject to the dollar term loan facility agreement. The loan facility bears interest rate equal to the screen rate or the reference bank rate plus 3.00% margin payable quarterly. As of June 30, 2018, the loan balance amounted to ₱1,990.00 million.

Consequently, the Group's subsidiary has incurred transaction cost attributable to the loan facility totaling in ₱80.12 million. These transactions costs that are directly attributable to the acquisition of the loan agreement are currently deferred and will be recognized over the term of the loan using effective interest rate method when the loan are recognized.

In November 2017, the Company entered into a five-year loan facility agreement amounting to ₱200.00 million with a local bank to finance land development and house construction of its project. The loan bears interest of 5.79% per annum and payable on a quarterly basis amortization. The principal are payable on a quarterly basis after a two-year grace period.

The Group's subsidiary obtained a ₱4,000.00 million Term Loan Facility with BDO in August 2016. This was mainly used to finance working capital requirements and to settle the existing loans with BDO. The four-year term facility bears interest of 6.125%, lower than the 6.25% interest for the previous term loans.

In December 2016, another subsidiary of the Group signed an Omnibus Agreement with Chinabank for a three-year Notes Facility amounting to ₱2,000 million. Of the total facility amount, ₱1,500 million was drawn in December 2016. The proceeds of this Notes Facility which carries an interest of 5.75% was used to prepay other loans with interest rates as high as 8.00%.

Payable under CTS financing

Contract-To-Sell (CTS) financing pertains to loan facilities which were used in the construction of the Group's real estate development projects. The related PNs have terms ranging from thirty-six (36) to forty-eight (48) months and are secured by the buyer's post-dated checks and the corresponding CTS secured by parcels of land held by the Parent Company. The Group retained the assigned receivables in the "Trade receivables" account and recorded the proceeds from these assignments as "Long-term debt".

As of June 2018, CLC, CCDC, MDC and CMDC's outstanding balance under CTS loan facilities amounted to ₱5,896.13 million.

The gross amount of ICR used as collateral amounted to ₱6,609.90 million as of June 30, 2018, higher than ₱5,879.47 million as of December 31, 2017.

These CTS loans approved as of June 30, 2018 bear fixed interest rates ranging from 5.50% to 7.50%, the same range for CTS loans approved as of December 31, 2017.

Car loan financing

A local bank has also extended a leasing facility to the Company for the purpose of renting vehicles to be used in the conduct of business. Under this facility, the lease guarantees the Company (the lessee or renter) the use of vehicles and the bank (the property owner) regular payments for a specific period.

As of June 30, 2018, CPGI, CCDC and CLC's outstanding loan balance under these lease facility amounted to ₱22.82 million. The lease facility bears interest averaging 8.20% as of June 30, 2018.

Security and Debt Covenants

Certain bi-lateral, trust receipts, payables under CTS financing and bank loans have mortgaged property wherein such property can no longer be allowed to be separately used as collateral for another credit facility, grant loans to directors, officers and partners, and act as guarantor or surety in favor of banks. As of June 30, 2018 and December 31, 2017, the carrying values of these assets mortgaged for trust receipts, payables under CTS financing and bank loans amounted to ₱17,260.11 million and ₱10,722.12 million.

Certain bi-laterals have the covenants to include maintenance of a debt-to-equity ratio of not more than 2.33 and 3.00, and a debt service coverage ratio of at least 1.5x. The syndicated term loan has a covenant, specific to the projects it is financing, of having loan to security value of no more than 50.00% and loan to gross development value of no more than 20.00%. Security value includes, among other things, valuation appraised by independent appraisers and takes into account the sold and unsold sales and market value of the properties. The Loan Agreements require submission of the valuation of each mortgage properties on an annual basis or upon request of the facility agent. The bank loans contain negative covenant that the Group's payment of dividend is subject to certain financial ratios.

As of June 30, 2018 and December 31, 2017, the Group has complied with the loan covenants.

Borrowing Costs

Borrowing cost from short-term and long-term debt capitalized amounted to ₱142.27 million for the period ended June 30, 2018.

Interest Expense and Other Finance Charges

Interest and other financing charges for the short term and long-term debt for the six month period ended June 30, 2018 amounted to ₱248.19 million.

19. BONDS PAYABLE

Bond payable consists of the following:

	June 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Five-and-half year bond	₱1,393,530,000	₱1,393,530,000
Seven-year bond	119,110,000	119,110,000
	1,512,640,000	1,512,640,000
Less: Unamortized transaction costs	(11,673,090)	(11,673,090)
	₱1,500,966,910	₱1,500,966,910

The bonds listed at the Philippine Dealing & Exchange Corp. (PDEX) on September 2, 2014 with interest rates of 6% p.a. for the three-year bonds, 6.6878% p.a. for the five-and-a-half year bonds, and 6.9758 % p.a. for the seven-year bonds. The bonds are rated "AA+" with a Stable outlook by Credit Rating and Investor Services Philippines Inc. (CRISP).

Bond related borrowing cost capitalized amounted to ₱50.75 million for the period ended June 30, 2018.

Interest and other financing charges from bonds payable for the period ended June 30, 2018 amounted to ₱10.23 million.

20. LIABILITY FROM PURCHASED LAND

This account pertains to the outstanding payable of the Group for the cost of land purchases recognized under “Real estate inventories” and “Land held for future development” amounting to ₱448.24 million, ₱67.20 million of which is due within 12 months.

21. EQUITY

Capital Stock

The details of the Parent Company’s common shares follow:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Par value per share	₱0.53	₱0.53
Authorized shares	18,000,000,000	18,000,000,000
Issued shares	11,699,723,690	11,699,723,690
Issued and outstanding	11,599,600,690	11,599,600,690

Treasury shares

As of June 30, 2018, a total of 100.12 million shares were held as treasury shares at total cost of ₱109.67 million. There are no shares reacquired during the six month period ended June 30, 2018.

Retained earnings

Retained earnings pertains to accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱7,155.69 million and ₱6,922.98 million as of June 30, 2018 and December 31, 2017, respectively. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

Cash dividend declaration

On June 8, 2018, the BOD of the Parent Company approved the declaration of ₱0.02 per share cash dividends amounting to ₱200 million for distribution to the stockholders of the Parent Company of record as of June 26, 2018 which was paid on July 6, 2018.

On May 22, 2017, the BOD of the Parent Company approved the declaration of ₱0.02 per share cash dividends amounting to ₱205.07 million for distribution to the stockholders of the Parent Company of record as of June 2, 2017 which was paid on June 19, 2017.

On June 22, 2016, the BOD of the Parent Company approved the declaration of ₱0.02 per share cash dividends amounting to ₱205.02 million for distribution to the stockholders of the Parent Company of record as of July 12, 2016 which was paid on July 20, 2016.

Other components of equity

Other components of equity amounted to ₱99.15 million as of June 30, 2018 and December 31, 2017 pertains to the equity reserve recognized between the consideration paid by Mitsubishi Corporation (MC) and the carrying value of the net assets of TPI I, TPI II, TPI III and CCDC II given up and the difference between the acquisition cost and the adjusted carrying value of the NCI in CPMI amounted to ₱104.41 million and the unrealized loss in AFS recognized in other components of equity amounted to ₱5.26 million.

Non-controlling interest

On September 22, 2017, the SEC approved the application of TPI I to increase its authorized capital stock from ₱40.00 million, divided into 0.40 million common shares with a par value of ₱100, to ₱363.90 million, divided into 1.09 million common shares with a par value of ₱100 and 2.55 million redeemable preferred shares with a par value of 100. Subsequently, MC subscribed to 0.41 million common shares and 0.18 million redeemable preferred shares of TPI I, 0.14 million common shares of TPI II and 0.12 million common shares of TPI III at a total subscription price of ₱162.32 million for a 40% proportionate interest in TPI I, TPI II and TPI III.

The redeemable preference shares shall have the following rights, privileges and limitations:

- a. shall have the right to receive payment in full of their par value and in preference to payment of any amount to the common shares if the Company is under liquidation;
- b. may be redeemed at the option of the Company; and
- c. shall have no voting rights except on matters upon which non-voting shares are entitled to vote.

As of December 31, 2017, the subscription price has been fully paid. This resulted in the dilution of the Group's ownership and the recognition of non-controlling interest amounting to ₱121.67 million. The difference between the consideration paid by MC and the net assets of TPI I, TPI II and TPI III given up amounting to ₱40.65 million was accounted for as equity reserve included under "Other components of equity" in the consolidated statements of changes in equity.

On June 17, 2016, the SEC approved the application of CCDC II to increase its authorized capital stock from 2.00 million shares to 1,279.88 million shares. Subsequently on August 12, 2016, MC subscribed to 511.56 million shares of CCDC II at a subscription price of ₱905.46 million for a 40% proportionate interest in CCDC II of which ₱190.52 million has been paid. This resulted in the dilution of the Group's ownership in CCDC II and the recognition of non-controlling interest amounting to ₱119.79 million. The difference between the consideration paid by MC and the net assets of CCDC II given up amounting to ₱70.73 million is accounted for as equity reserve included under "Other components of equity" in the consolidated statements of changes in equity. In 2017, MC paid an additional ₱276.08 million which resulted in an increase in the non-controlling interest.

The Group's non-controlling interest recognized is the proportionate interest of MC to CCDC II, TPI I, TPI II and TPI III, net of any unpaid subscription at the subscription date.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group undertakes to establish the appropriate capital structure for each business line, to allow it sufficient financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group attempts to continually lengthen the maturity profile of its debt portfolio and makes it a goal to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of June 30, 2018, the Group had the following ratios:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Debt to equity	1.10:1	0.93:1
Net debt to equity	0.98:1	0.84:1

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the period ended June 30, 2018 and December 31, 2017.

22. EARNINGS PER SHARE

Basic/diluted earnings per share amounts attributable to equity holders of the Parent Company for June 30, 2018 and 2017 are as follow:

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Net income attributable to the owners of the Parent Company	₱432,716,614	₱445,812,945
Weighted average number of shares	11,599,600,690	11,599,600,690
Basic/diluted earnings per share	₱0.037	₱0.038

Earnings per share are calculated using the consolidated net income attributable to the equity holders of Parent Company divided by the weighted average number of shares.

23. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

This account consists of:

	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Marketing and promotions	₱799,457,248	₱467,885,677
Salaries, wages and employee benefits	290,869,781	243,408,201
Taxes and licenses	114,019,857	112,805,203
Commission	157,285,740	136,742,591
Rent	50,956,148	17,183,202
Professional fees	49,478,321	56,474,060
Depreciation and amortization	19,808,411	15,342,920
Entertainment, amusement and recreation	9,992,936	20,223,007
Outside services	11,649,542	10,741,541
Communication	11,254,927	10,286,837
Transportation and travel	9,217,850	5,743,509
Supplies	4,740,010	3,214,215
Utilities	1,271,439	8,352,267
Miscellaneous	49,275,240	46,540,797
	₱1,579,277,450	₱1,154,944,027

Miscellaneous pertains mainly to donation made to a certain foundation, business and research development and software maintenance.

24. PROVISIONS AND CONTINGENCIES

Some members of the Group are contingently liable for lawsuits or claims filed by third parties (including civil, criminal and administrative lawsuits and other legal actions and proceedings arising in the ordinary course of their business that are pending decision by the relevant court, tribunal or body and the final outcomes of which are not presently determinable). In the opinion of management and its legal counsels, given the present status of these cases, legal actions and proceedings, the eventual liability under these lawsuits or claims in the event adversely determined against such member of the Group, will not have a material or adverse effect on the Group's financial position and results of operations.

The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims or assessments. No provisions were made during the period.

25. RELATED PARTY 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 which include affiliates.

Terms and Conditions of Transactions with Related Parties

The Group in its regular conduct of business enters into transactions with related parties principally consisting of advances and reimbursement of expenses, development, management, marketing, leasing and administrative service agreements.

The effects of the related party transactions are shown under the following accounts in the consolidated financial statements:

Due from Related Parties

	June 30, 2018 Unaudited	December 31, 2017 Audited	Terms	Conditions
Ultimate Parent	P240,176,896	P235,324,180	Noninterest bearing, due and demandable	Unsecured, no impairment
Stockholders	201,603,971	153,076,337	Noninterest bearing, due and demandable	Unsecured, no impairment
Other affiliates	71,001,338	102,845,431	Noninterest bearing, due and demandable	Unsecured, no impairment
	P512,782,205	P491,245,948		

Due to Related Parties

	June 30, 2018 Unaudited	December 31, 2017 Audited	Terms	Conditions
Stockholders	P19,200,055	P19,175,305	Noninterest bearing, due and demandable	Unsecured, no impairment
Other affiliates	8,616,413	28,995,726	Noninterest bearing, due and demandable	Unsecured, no impairment
	P27,816,468	P48,171,031		

Significant transactions of the Group with related parties are described below:

Due from related parties pertains to advances provided by the Group to the stockholders and other affiliates. These are generally unsecured, noninterest-bearing, and are due and demandable and are not impaired.

Due to related parties pertains to advances made by the Group for the capital expenditure of the affiliates. These are generally noninterest bearing and are due and demandable.

Receivable from employees and agents

The Group has advances to its employees amounting to P368.35 million as of June 30, 2018, for selling and other operational related activities. These advances also include salary and other loans granted to the employees and are recoverable through salary deductions. These are noninterest-bearing and are due and demandable (see Note 5).

Construction management contract

The Group has contracted Century Properties Management Construction Corporation (CPMCC) as the project manager that will handle the construction activities of the Group. CPMCC is owned by one of the key management personnel of the Group. As of June 30, 2018 advances made to CPMCC recognized under the "Advances to suppliers and contractors" account amounted to P1,085.41 million.

In 2017, CLC has contracted with Revolution Precrafted Properties Philippines, Inc. (RPPPI) as contractor for the Mock-up units and amenities of its project in Batangas. RPPPI is owned by the key management personnel of the Group.

Management Agreement

In 2018, the Group contracted Century Integrated Sales, Inc. (CISI) to manage all of its sales and marketing activities. CISI is a fully-owned subsidiary of CPI. Prepayments for marketing services paid to CISI as of June 30, 2018 amounted to ₱7.62 million.

26. FINANCIAL INSTRUMENTS

Fair Value Information

The table below presents the carrying amounts and fair value of the Group's financial assets and liabilities are as follows:

	June 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and receivables				
ICR	₱8,493,464,475	₱8,968,672,148	₱8,783,698,741	₱8,849,968,042
Other financial liabilities				
Long-term debt	₱16,002,147,042	₱16,165,152,072	₱13,936,845,425	₱14,898,479,006
Bonds payable	1,500,966,910	1,512,640,000	1,500,966,910	1,604,971,247
Liability from purchased land	448,241,742	448,241,742	448,241,742	452,410,539
Total Financial Liabilities	₱17,951,355,694	₱18,126,033,814	₱15,886,054,077	₱16,955,860,792

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Financial assets

Cash and cash equivalents, receivables (excluding real estate receivables with more than one year tenor) and due from related parties - Carrying amounts approximate fair values due to the short term maturities of these instruments.

Noncurrent real estate receivables - Fair value is based on undiscounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. The discount rates used ranged from 2.65% to 5.60% for the period ending June 30, 2018 and year ended December 31, 2017.

Other financial liabilities

The fair values of accounts and other payables, due to related parties and short-term debt approximate the carrying amount due to the short-term maturities of these instruments.

The fair value of long-term debt and liability from purchased land are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used for long-term debt are from 2.54% to 4.11% as of June 30, 2018 and December 31, 2017.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of June 30, 2018 and December 31, 2017, the Group held AFS financial assets comprising of quoted equity securities which are measured at fair value. Accordingly, such investments are classified under Level 1. The Group has no financial instruments measured under Level 2 and 3. In 2018 and 2017, the Group did not have transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

Financial Risk Management Policies and Objectives

In the normal course of business operation, the Group is exposed to various financial risks such as, credit risk, interest rate risk and liquidity risk.

The main objectives of the Group's financial risk management are as follows:

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

The Group's BOD reviews and approves the policies for managing each of these risks and they are summarized below:

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to manageable exposure to bad debts. Real estate buyers are subject to standard credit check procedures which are calibrated based on the payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for real estate receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and AFS 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. The Group transacts only with institutions or banks which have demonstrated financial soundness for the past 5 years.

The Group has no significant concentrations of credit risk.

The Group's maximum exposure to credit risk as of June 30, 2018 is equal to the carrying values of its financial assets, except for ICR with carrying values of ₱8,493.46 million and fair value of collateral amounting to ₱ 6,609.90 million.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt.

The following table shows the maturity profile of the Group's financial assets used for liquidity purposes and liabilities based on contractual undiscounted payments

	June 30, 2018		
	(Unaudited)		
	Within 1 Year	1 - 5 years	Total
Loans and receivables			
Cash and cash equivalents	₱1,855,012,361	–	₱1,855,012,361
Receivables			
Trade receivables:			
ICR	6,215,657,633	2,277,806,842	8,493,464,475
Leasing receivables	52,907,026	–	52,907,026
Management fees	140,938,120	–	140,938,120
Advances to Condominium Corp.	319,860,951	–	319,860,951
Advances to customers	40,908,125	–	40,908,125
Other receivables	830,128,905	–	830,128,905
Due from related parties	512,782,205	–	512,782,205
	₱9,968,195,326	₱2,277,806,842	₱12,246,002,168
Other financial liabilities			
Accounts and other payables			
Accounts payable	₱3,253,295,285	₱–	₱3,253,295,285
Accrued expenses	141,125,766	–	141,125,766
Retentions payable	322,459,728	–	322,459,728
Other payables	56,862,360	–	56,862,360
Short-term debt	1,487,889,296	–	1,487,889,296
Liability from purchased land	67,200,000	381,041,742	448,241,742
Long-term debt:	4,270,230,499	11,731,916,543	16,002,147,042
Bonds payable:	–	1,500,966,910	1,500,966,910
	₱9,599,062,934	₱13,613,925,195	₱23,212,988,129

Foreign currency risk

Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. There are only minimal placements in foreign currencies and the Group does not have any foreign currency-denominated debt.

	June 30, 2018		December 31, 2017	
	(Unaudited)		(Audited)	
	Original	Peso	Original	Peso
	Currency	Equivalent	Currency	Equivalent
Assets				
Cash and cash equivalents				
US Dollar	\$883,159	₱46,807,467	\$490,174	₱24,474,398
Euro	€18,442	1,140,538	€18,519	1,103,982
Loans payable				
US Dollar	\$55,000,000	(2,915,000,000)	\$15,000,000	(748,950,000)
Net foreign currency				
denominated instruments		(₱2,867,051,995)		(₱723,371,620)

The spot exchange rates used were ₱53.00 to US\$1 and ₱61.84 to €1 in 2018; ₱49.93 to US\$1 and ₱59.61 to €1 in 2017

The following table demonstrates the sensitivity to reasonably possible changes in foreign currency rates, with all variables held constant, of the Group's income before tax and equity.



	June 30, 2018		December 31, 2017	
	(Unaudited)		(Audited)	
	Increase (decrease) in foreign exchange rates		Increase (decrease) in foreign exchange rates	
		Effect on profit before tax		Effect on profit before tax
Dollar	5%	(P143,409,629)	5%	(P36,223,780)
	(5%)	143,409,629	(5%)	36,223,780
Euro	5%	P57,023	5%	P55,196
	(5%)	(57,023)	(5%)	(55,196)

Interest rate risk

Interest rate risk is the risk that changes in the market interest rates will reduce the Group's current or future earnings and/or economic value. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments.

**Selected Financial Indicators
 June 30, 2018 and June 30, 2017**

	June 30, 2018	June 30, 2017
Current Ratio	2.2x	3.9x
Debt to Equity Ratio	1.1x	1.0x
Total Liabilities to Total Equity Ratio	1.8x	1.7x
Asset to Equity Ratio	2.8x	2.7x
Return on Assets [Annualized]	2.2%	2.1%
Return on Equity [Annualized]	6.0%	5.8%
EBIT	844.2	741.5
EBITDA	864.0	756.9
Total Debt	18,991.0	15,772.9
Net Debt	17,136.0	13,635.3
Gross Profit from Real Estate Sales Margin	49.3%	51.2%
Net Income Margin	10.4%	13.3%
Net debt-to-equity ratio	1.0x	0.9x
Debt-to-EBITDA ratio	11.0x	10.4x
Net debt-to-EBITDA ratio	9.9x	9.0x

Notes:

- (1) Return on assets is calculated by dividing net income for the period by average total assets (beginning plus end of the period divided by two).
- (2) Return on equity is calculated by dividing net income for the period by average total equity (beginning plus end of the period divided by two).
- (3) EBIT is calculated as net income after adding back interest expense and provision for income tax. EBITDA is calculated as net income after adding back interest expense, depreciation and amortization and provision for income tax.
- (4) Net debt is calculated as total debt less cash and cash equivalents as of the end of the period.
- (5) Gross profit from real estate sales margin is calculated as the sum of real estate sales and accretion of unamortized discount (which we record under interest and other income), less the cost of real estate sales, as a percentage of the sum of real estate sales and accretion of unamortized discount, for the period. We believe that including accretion of unamortized discount in this calculation is a useful measure of the profitability of our real estate operations because such unamortized discount forms part of the original contract price of the sales contracts.
- (6) Net margin is calculated as net income as a percentage of revenue for the period.
- (7) Net debt-to-equity ratio is calculated as net debt divided by total equity as of the end of the period.
- (8) Debt-to-EBITDA ratio is calculated as total debt as of the end of the period divided by EBITDA for the period calculated on an annualized basis.
- (9) Net debt to EBITDA ratio is calculated as net debt as of the end of the period divided by EBITDA for the period calculated on an annualized basis.
- (10) This ratio is obtained by dividing the Current Assets of the Group by its Current liabilities. This ratio is used as a test of the Group's liquidity.



MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering 1st Half of 2018 vs 1st Half of 2017

Revenue

Real Estate

The Group account for real estate revenue from completed housing and condominium units and lots using the full accrual method. The Group uses the percentage of completion method, on a unit by unit basis, to recognize income from sales where the Group has material obligations under the sales contract to complete after the property is sold. Under this method, revenue is recognize as the related obligations are fulfilled, measured principally in relation to actual costs incurred to date over the total estimated costs. The Group typically requires payment of 10% to 30% of the total contract price, depending on the type of property being purchased, and buyers are given the duration of the construction period to complete such payment.

For the six months ended June 30, 2018, the Group recorded revenue from real estate sales amounting to ₱3,821.38 million and posted an increase of 82.09% from ₱2,098.64 million in the same period of 2017. The increase in real estate sales is attributable to the price increase, increase in accomplishment in Q2 2018 and increase in sale of condominium units.

Additionally, affordable segment contributed to the increase in revenue, recognizing real estate sales amounting to ₱503 million for the six month period ending June 30, 2018.

Property management fee and other services

Property management fee and other services increased by 6.88% to ₱179.54 million in the period ended June 30, 2018 from ₱167.97 million in the same period ended June 30, 2017. This was due to the increase in the revenue from managed properties, specifically Bank of the Philippines Islands properties increased from 1 to 4, and additional Century related developments.

Leasing Revenue

Leasing revenue increased by 26.48% to ₱192.95 million in the period ended June 30, 2018 from ₱152.55 million in the same period ended June 30, 2017 due to high occupancy rate in Centuria Medical (84% vs 75%) and Century City Mall (97% vs 96%) as of June 30, 2018.

Interest and Other Income

Interest and other income decreased by 46.87% to ₱495.88 million for the period ended June 30, 2018 from ₱933.37 million in the same period ended June 30, 2017. This decrease was due primarily to lower interest accretion during the period.

Costs and Expenses

Cost and expenses increased by 43.53% to ₱4,093.70 million in the six months ended June 30, 2018 from ₱2,852.22 million for the period ended June 30, 2017.

- Cost of real estate sales increased by 63.66% from ₱1,243.34 million in the six months ended June 30, 2017 to ₱2,034.86 million in the period ended June 30, 2018. This is related to the increase in real estate revenue.
- Cost of services increased by 2.75% to ₱139.41 million in the six months ended June 30, 2018 from ₱135.67 million in the period ended June 30, 2017. This is due to the increase of properties managed by CPMI.
- General, administrative and selling expenses increased by 36.74% to ₱1,579.28 million in the six months ended June 30, 2018 from ₱1,154.94 million in the period ended June 30, 2017. The increase in operational expenses during the period is primarily due to the increase in advertising and promotional activities related to the newly launched projects and amortization of prepaid expenses.

- Interest and other financing charges increased by 2.90% to ₱248.19 million for the six months ended June 30, 2018 from ₱241.20 million in the period ended June 30, 2017. These interests came from loans that do not qualify for capitalization as borrowing costs.

Net Income

As a result of the foregoing, net income increased by 9.88% to ₱489.85 million for the six months ended June 30, 2018 from ₱445.81 million in the period ended June 30, 2017.

FINANCIAL CONDITION

As of June 30, 2018 vs. December 31, 2017

Total assets as of June 30, 2018 were ₱47,126.46 million compared to ₱42,555.65 million as of December 31, 2017, or a 10.74% increase. This was due to the following:

- Cash and cash equivalents increased by 32.47% from ₱1,400.36 million as of December 31, 2017 to ₱1,855.01 million as of June 30, 2018 primarily due to the proceeds of the loans acquired during the period.
- Receivables increased by 2.52% from ₱9,983.51 million as of December 31, 2017 to ₱10,235.57 million as of June 30, 2018 primarily due to recognition of revenue for additional projects in both affordable and condominium units.
- During the six months ended June 30, 2018, real estate inventories increased by 8.62% from ₱15,187.42 million as of December 31, 2017 to ₱16,495.98 as of June 30, 2018 million due to development of various projects during the period.
- Advances to suppliers and contractors increased by 17.82% from ₱1,963.98 million as of December 31, 2017 to ₱2,313.91 million as of June 30, 2018 due to down payments made to suppliers during the period which are subject to recoupment through progress billings.
- Land held for future development increased by 160.92% from ₱658.45 million as of December 31, 2017 to ₱1,718.06 million as of June 30, 2018 due to the execution of Deed of Sales for the land acquired in Quezon City.
- Deposit for purchased land increased by 10.90% from ₱1,369.57 million as of December 31, 2017 to ₱1,518.85 million as of June 30, 2018 due to payment made by the Company to the Land Owners during the period.
- Investment properties increased by 11.31% from ₱7,759.56 as of December 31, 2017 to ₱8,637.43 million as of June 30, 2018 primarily due to other cost incurred for Forbes and Fort Projects.
- Deferred tax asset decreased by 8.15% from ₱103.99 million as of December 31, 2017 to ₱95.51 million as of June 30, 2018. The decrease is primarily due to the NOLCO claimed by the Group against its taxable income during the period.
- Other non-current assets decreased by 11.51% from ₱1,324.88 million as of December 31, 2017 to ₱1,172.35 million as of June 30, 2018 primarily due to the amortization of the deferred financing related to the loan facility availed during the period.

Total liabilities as of June 30, 2018 were ₱30,474.82 million compared to ₱26,300.03 million as of December 31, 2017, or a 15.87% increase. This was due to the following:

- Accounts and other payables increased by 24.89% from ₱3,832.13 million as of December 31, 2017 to ₱4,785.96 million as of June 30, 2018 due to accruals made at the end of the period.

- Short-term and long-term debt representing the sold portion of the Company's installment contracts receivables with recourse, syndicated loans, and bi-lateral term loans increased by 19.81% from ₱14,598.74 million as of December 31, 2017 to ₱17,490.04 million as of June 30, 2018 due to increased net availments from existing and new lines during the period. The increase in debt was partially used to fund operations, investment properties, and to refinance debt.
- Customers Advances and Deposits increased by 11.08% from ₱2, 758.60 million as of December 31, 2017 to ₱3, 064.36 million as of June 30, 2018 due to higher collections from pre-sales of newly launch affordable housing and leisure projects during the year.
- Income tax payable decreased from ₱3.23 million as of December 31, 2017 to nil as of June 30, 2018 primarily due to payment of all income tax dues as of the period.
- Total stockholder's equity net increased by 2.44% to ₱16,651.64 million as of June 30, 2018 from ₱16,255.62 million as of December 31, 2017 due to the net income recorded for the six months ended June 30, 2018 and collection of subscription receivable from minority interest amounting to ₱106 million.

Material Changes to the Company's Balance Sheet as of June 30, 2018 compared to December 31, 2017 (increase/decrease of 5% or more)

- Cash and cash equivalents increased by 32.47% from ₱1,400.36 million as of December 31, 2017 to ₱1,855.01 million as of June 30, 2018 primarily due to the proceeds of the loans acquired during the period.
- Advances to suppliers and contractors increased by 17.82% from ₱1,963.98 million as of December 31, 2017 to ₱2,313.91 million as of June 30, 2018 due to down payments made during the period which are subject to recoupment through progress billings.
- Land held for future development increased by 160.92% from ₱658.45 million as of December 31, 2017 to ₱1,718.06 million as of June 30, 2018 due to the execution of Deed of Sales for the land acquired in Quezon City.
- Deposit for purchased land increased by 10.90% from ₱1,369.57 million as of December 31, 2017 to ₱1,518.85 million as of June 30, 2018 due to payment made by the Company to the Land Owners during the period.
- Investment properties increased by 11.31% from ₱7,759.56 as of December 31, 2017 to ₱ 8,637.43 million as of June 30, 2018 primarily due to other cost incurred for Forbes and Fort Projects.
- Deferred tax asset decreased by 8.15% from ₱103.99 million as of December 31, 2017 to ₱95.51 million as of June 30, 2018. The decrease is primarily due to the NOLCO claimed by the Group against its taxable income during the period.
- Other non-current assets decreased by 11.51% from ₱1,324.88 million as of December 31, 2017 to ₱1,172.35 million as of June 30, 2018 primarily due to the amortization of the deferred financing related to the loan facility availed during the period.
- Accounts and other payables increased by 24.89% from ₱3,832.13 million as of December 31, 2017 to ₱4,785.96 million as of June 30, 2018 due to accruals made at the end of the period.
- Short-term and long-term debt representing the sold portion of the Company's installment contracts receivables with recourse, syndicated loans, and bi-lateral term loans increased by 19.81% from ₱14,598.74 million as of December 31, 2017 to ₱17,490.04 million as of June 30, 2018 due to increased net availments from existing and new lines during the period. The increase in debt was partially used to fund operations, investment properties, and to refinance debt.
- Income tax payable decreased from ₱3.23 million as of December 31, 2017 to nil as of June 30, 2018 primarily due to payment of all income tax dues as of the period.

- Total stockholder's equity net increased by 2.44% to ₱16,651.64 million as of June 30, 2018 from ₱16,255.62 million as of December 31, 2017 due to the net income recorded for the six months ended June 30, 2018 and collection of subscription receivable from minority interest amounting to ₱106 million.

Material Changes to the Company's Statement of income for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 (increase/decrease of 5% or more)

- For the six months ended June 30, 2018, the Group recorded revenue from real estate sales amounting to ₱3,821.38 million and posted an increase of 82.09% from ₱2,098.64 million in the same period of 2017. The increase in real estate sales is attributable to the price increase, increase in accomplishment in Q2 2018 and increase in sale of condominium units.

Additionally, affordable segment contributed to the increase in revenue, recognizing real estate sales amounting to ₱503 million for the six month period ending June 30, 2018.

- Property management fee and other services increased by 6.88% to ₱179.54 million in the period ended June 30, 2018 from ₱167.97 million in the same period ended June 30, 2017. This was due to the increase in the revenue from managed properties, specifically Bank of the Philippines Islands properties increased from 1 to 4, and additional Century related developments.
- Leasing revenue increased by 26.48% to ₱192.95 million in the period ended June 30, 2018 from ₱152.55 million in the same period ended June 30, 2017 due to high occupancy rate in Centuria Medical (84% vs 75%) and Century City Mall (97% vs 96%) as of June 30, 2018.
- Interest and other income decreased by 46.87% to ₱495.88 million for the period ended June 30, 2018 from ₱933.37 million in the same period ended June 30, 2017. This decrease was due primarily to lower interest accretion during the period.
- Cost of real estate sales increased by 63.66% from ₱1,243.34 million in the six months ended June 30, 2017 to ₱2,034.86 million in the period ended June 30, 2018. This is related to the increase in real estate revenue.
- Cost of leasing increased by 19.34% to ₱91.96 million in the six months ended June 30, 2018 from ₱77.06 million in the period ended June 30, 2017. This is due to the increase in occupancy rate in Centuria Medical and Century City Mall.
- General, administrative and selling expenses increased by 36.74% to ₱1,579.28 million in the six months ended June 30, 2018 from ₱1,154.94 million in the period ended June 30, 2017. The increase in operational expenses during the period is primarily due to the increase in advertising and promotional activities related to the newly launched projects and amortization of prepaid expenses.



Selected Financial Indicators
June 30, 2017 and June 30, 2016

	June 30, 2017	June 30, 2016
Current Ratio	3.9x	3.2x
Debt to Equity Ratio	1.0x	0.9x
Total Liabilities to Total Equity Ratio	1.7x	1.4x
Asset to Equity Ratio	2.7x	2.4x
Return on Assets [Annualized]	2.1%	2.7%
Return on Equity [Annualized]	5.8%	6.7%
EBIT	741.5	818.4
EBITDA	756.9	832.3
Total Debt	15,772.9	13,275.3
Net Debt	13,635.3	11,466.9
Gross Profit from Real Estate Sales Margin	51.2%	48.0%
Net Income Margin	13.3%	12.8%
Net debt-to-equity ratio	0.9x	0.8x
Debt-to-EBITDA ratio	10.4x	8.0x
Net debt-to-EBITDA ratio	9.0x	6.9x

Notes:

- (1) Return on assets is calculated by dividing net income for the period by average total assets (beginning plus end of the period divided by two).
- (2) Return on equity is calculated by dividing net income for the period by average total equity (beginning plus end of the period divided by two).
- (3) EBIT is calculated as net income after adding back interest expense and provision for income tax. EBITDA is calculated as net income after adding back interest expense, depreciation and amortization and provision for income tax.
- (4) Net debt is calculated as total debt less cash and cash equivalents as of the end of the period.
- (5) Gross profit from real estate sales margin is calculated as the sum of real estate sales and accretion of unamortized discount (which we record under interest and other income), less the cost of real estate sales, as a percentage of the sum of real estate sales and accretion of unamortized discount, for the period. We believe that including accretion of unamortized discount in this calculation is a useful measure of the profitability of our real estate operations because such unamortized discount forms part of the original contract price of the sales contracts.
- (6) Net margin is calculated as net income as a percentage of revenue for the period.
- (7) Net debt-to-equity ratio is calculated as net debt divided by total equity as of the end of the period.
- (8) Debt-to-EBITDA ratio is calculated as total debt as of the end of the period divided by EBITDA for the period calculated on an annualized basis.
- (9) Net debt to EBITDA ratio is calculated as net debt as of the end of the period divided by EBITDA for the period calculated on an annualized basis.
- (10) This ratio is obtained by dividing the Current Assets of the Group by its Current liabilities. This ratio is used as a test of the Group's liquidity.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations covering 1st Half of 2017 vs 1st Half of 2016

Revenue

Real Estate

The Group account for real estate revenue from completed housing and condominium units and lots using the full accrual method. The Group uses the percentage of completion method, on a unit by unit basis, to recognize income from sales where the Group has material obligations under the sales contract to complete after the property is sold. Under this method, revenue is recognize as the related obligations are fulfilled, measured principally in relation to actual costs incurred to date over the total estimated costs. The Group typically requires payment of 20% to 50% of the total contract price, depending on the type of property being purchased, and buyers are given the duration of the construction period to complete such payment.

For the six months ended June 30, 2017, the Group recorded revenue from real estate sales amounting to ₱2,098.64 million and posted a decrease of 29.4% from ₱2,972.61 million in the same period of 2016. The decrease in real estate sales is attributable to a significant portion of revenue recognized in 2016 and prior years from completed projects, as well as less pre-sales and less new project launches.

Property management fee and other services

Property management fee and other services increased by 32.0% to ₱167.97 million in the period ended June 30, 2017 from ₱127.27 million in the same period ended June 30, 2016. This was due to the increase in the revenue from managed properties.

Leasing Revenue

Leasing revenue decreased by 1.6% to ₱152.55 million in the period ended June 30, 2017 from ₱155.04 million in the same period ended June 30, 2016 or 1.60% due to slight decrease in Century City Mall occupancy rate.

Interest and Other Income

Interest and other income increased by 43.10% to ₱933.37 million for the period ended June 30, 2017 from ₱652.27 million in the same period ended June 30, 2016. This increase was due primarily to non-cash accretion of unamortized discounts during the period.

Costs and Expenses

Cost and expenses decreased by 12.70% to ₱2,852.22 million in the six months ended June 30, 2017 from ₱3,266.05 million for the period ended June 30, 2016.

- Cost of real estate sales decreased by 26.30% from ₱1,686.07 million in the six months ended June 30, 2016 to ₱1,243.34 million in the period ended June 30, 2017. This is directly related to the decrease in real estate revenue.
- Cost of services increased by 39.20% to ₱135.67 million in the six months ended June 30, 2017 from ₱97.45 million in the period ended June 30, 2016. This was primarily due to decreased in the property being managed by CPMI.
- General, administrative and selling expenses decreased by 6.00% to ₱1,154.94 million in the six months ended June 30, 2017 from ₱1,228.32 million in the period ended June 30, 2016. The decrease in operational expenses during the period is due to the reduction of utilization of avoidable costs.
- Interest and other financing charges increased by 36.05% to ₱241.20 million for the six months ended June 30, 2017 from ₱177.29 million in the period ended June 30, 2016. This was primarily due to bank fees and other financing charges paid other than capitalized borrowing costs during the period. These interest came from loans that do not qualify for capitalization as borrowing costs.

Net Income

As a result of the foregoing, net income decreased by 11.2% to ₱445.81 million for the six months ended June 30, 2017 from ₱501.78 million in the period ended June 30, 2016.

FINANCIAL CONDITION

As of June 30, 2017 vs. December 31, 2016

Total assets as of June 30, 2017 were ₱41,132.70 million compared to ₱41,308.52 million as of December 31, 2016, or a 0.4% decrease. This was due to the following:

- Cash and cash equivalents decreased by ₱1,025.53 million from ₱3,343.07 million as of December 31, 2016 to ₱2,137.55 million as of June 30, 2017 primarily due to net repayment of accounts payable and lower collections during the period.
- Receivables decreased by 10.3% from ₱11,407.64 million as of December 31, 2016 to ₱10,232.43 million as of June 30, 2017 due to the revenue recognized during the period pursuant to lower pre-sales, in addition to the policies and estimates pursuant to the collectability of sales price and percentage of completion methods and increase in collection on receivables from turned over projects.
- During the six months ended June 30, 2017, real estate inventories increased by 7.4% from ₱13,302.81 million as of December 31, 2016 to ₱14,292.16 million due to development of various projects during the period.
- Advances to suppliers and contractors increased by 22.3% from ₱1,991.83 million as of December 31, 2016 to ₱2,435.25 million as of June 30, 2017 due to down payments made during the period which are subject to recoupment through progress billings.
- Land held for future development increased by 19.4% from ₱640.07 million to ₱764.16 million due to acquisition of Tanza land.
- Deposit for purchased land decreased by 6.3% from ₱1,170.12 million as of December 31, 2016 to ₱1,096.45 million as of June 30, 2017 due to cancellation of the application of payment for units purchased by lot owner.
- Property and equipment increased by 2.9% from ₱485.54 million as of December 31, 2016 to ₱499.48 million as of June 30, 2017 due to acquisition of new equipment.
- Other non-current assets increased by 6.5% from ₱636.59 million as of December 31, 2016 to ₱678.00 million as of June 30, 2017 primarily due to deferred marketing expenses related to projects which did not commence construction during the period.

Total liabilities as of June 30, 2017 were ₱25,545.53 million compared to ₱25,962.10 million as of December 31, 2016, or a 1.6% decrease. This was due to the following:

- Accounts and other payables decreased by 9.6% from ₱4,010.69 million as of December 31, 2016 to ₱3,625.42 million as of June 30, 2017 due to payment of payable to suppliers and contractors.

- Short-term and long-term debt representing the sold portion of the Company's installment contracts receivables with recourse, syndicated loans, and bi-lateral term loans decreased by 83.9% from ₱12,997.16 million as of December 31, 2016 to ₱13,105.39 million as of June 30, 2017 various repayments during the period.
- Customers' advances and deposits decreased by 11.4% from ₱2,360.36 million as of December 31, 2016 to ₱2,090.38 million as of June 30, 2017 due to the decrease in collections from accounts that does not qualified for revenue recognition during the period and revenue for previously unqualified accounts were already recognized. Balances as of June 30, 2017 represents collection from customers which do not meet the revenue recognition criteria as of the end of the period.
- Other noncurrent liabilities increased by 73.6% from ₱269.52 million to ₱468.00 million due to the deposits received by CALC from buyers of its preferred shares during the period.
- Total stockholder's equity net increased by 1.6% to ₱15,587.17 million as of June 30, 2017 from ₱15,346.42 million as of December 31, 2016 due to the net income recorded for the six months ended June 30, 2017 net of CPGI's dividend declaration.

Material Changes to the Company's Balance Sheet as of June 30, 2017 compared to December 31, 2016 (increase/decrease of 5% or more)

Cash and cash equivalents decreased by ₱1,025.53 million from ₱3,343.07 million as of December 31, 2016 to ₱2,137.55 million as of June 30, 2017 primarily due to net repayment of accounts payable and lower collections during the period.

Receivables decreased by 10.3% from ₱11,407.64 million as of December 31, 2016 to ₱10,232.43 million as of June 30, 2017 due to the revenue recognized during the period pursuant to lower pre-sales, in addition to the policies and estimates pursuant to the collectability of sales price and percentage of completion methods and increase in collection on receivables from turned over projects.

During the six months ended June 30, 2017, real estate inventories increased by 7.4% from ₱13,302.81 million as of December 31, 2016 to ₱14,292.16 million due to development of various projects during the period.

Advances to suppliers and contractors increased by 22.3% from ₱1,991.83 million as of December 31, 2016 to ₱2,435.25 million as of June 30, 2017 due to down payments made during the period which are subject to recoupment through progress billings.

Land held for future development increased by 19.4% from ₱640.07 million to ₱764.16 million due to acquisition of Tanza land.

Deposit for purchased land decreased by 6.3% from ₱1,170.12 million as of December 31, 2016 to ₱1,096.45 million as of June 30, 2017 due to cancellation of the application of payment for units purchased by land owner.

Property and equipment increased by 2.9% from ₱485.54 million as of December 31, 2016 to ₱499.48 million as of June 30, 2017 due to acquisition of new property and equipment.

Other non-current assets increased by 6.5% from ₱636.59 million as of December 31, 2016 to ₱678.00 million as of June 30, 2017 primarily due to deferred marketing expenses related to projects which did not commence construction during the period.

Accounts and other payables decreased by 9.6% from ₱4,010.69 million as of December 31, 2016 to ₱3,625.42 million as of June 30, 2017 due to payment of payable to suppliers and contractors.

Customers' advances and deposits decreased by 11.4% from ₱2,360.36 million as of December 31, 2016 to ₱2,090.38 million as of June 30, 2017 due to the decrease in collections from accounts that does not qualified for revenue recognition during the period and revenue for previously unqualified accounts were already recognized.



Balances as of June 30, 2017 represents collection from customers which do not meet the revenue recognition criteria as of the end of the period.

Short-term and long-term debt representing the sold portion of the Company's installment contracts receivables with recourse, syndicated loans, and bi-lateral term loans decreased by 83.9% from ₱12,997.16 million as of December 31, 2016 to ₱13,105.39 million as of June 30, 2017 various repayments during the period.

Other noncurrent liabilities increased by 73.6% from ₱269.52 million to ₱468.00 million due to the deposits received by CALC from buyers of its preferred shares during the period.

Material Changes to the Company's Statement of income for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 (increase/decrease of 5% or more)

For the six months ended June 30, 2017, the Group recorded revenue from real estate sales amounting to ₱2,098.64 million and posted a decrease of 29.4% from ₱2,972.61 million in the same period of 2016. The decrease in real estate sales is attributable to a significant portion of revenue recognized in 2016 and prior years from completed projects, as well as less pre-sales and less new project launches.

Property management fee and other services increased by 32.0% to ₱167.97 million in the period ended June 30, 2017 from ₱127.27 million in the same period ended June 30, 2016. This was due to the increase in the revenue from managed properties.

Leasing revenue decreased to ₱152.55 million in the period ended June 30, 2017 from ₱155.04 million in the same period ended June 30, 2016 or 1.60% due to slight decrease in Century City Mall occupancy rate.

Interest and other income increased by 43.10% to ₱933.37 million for the period ended June 30, 2017 from ₱652.27 million in the same period ended June 30, 2016. This increase was due primarily to non-cash accretion of unamortized discounts during the period.

Cost of real estate sales decreased by 26.30% from ₱1,686.07 million in the six months ended June 30, 2016 to ₱1,243.34 million in the period ended June 30, 2017. This is directly related to the decrease in real estate revenue.

Cost of services decreased by 39.20% to ₱135.67 million in the six months ended June 30, 2017 from ₱97.45 million in the period ended June 30, 2016. This was primarily due to decreased in the property being managed by CPML.

General, administrative and selling expenses decreased by 6.00% to ₱1,154.94 million in the six months ended June 30, 2017 from ₱1,228.32 million in the period ended June 30, 2016. The decrease in operational expenses utilized during the period is due to the reduction of utilization of avoidable costs.

Interest and other financing charges increased by 36.05% to ₱241.20 million for the six months ended June 30, 2017 from ₱177.29 million in the period ended June 30, 2016. This was primarily due to bank fees and other financing charges paid other than capitalized borrowing costs during the period. These interest came from loans that do not qualify for capitalization as borrowing costs.

As a result of the foregoing, net income decreased by 11.2% to ₱445.81 million for the six months ended June 30, 2017 from ₱501.78 million in the period ended June 30, 2016.

PART II--OTHER INFORMATION

Item 3. 1st Half of 2018 Developments

A. New Projects or Investments in another line of business or corporation.

None

B. Composition of Board of Directors

Name of Director	Position
Jose E.B. Antonio	Chairman of the Board
John Victor R. Antonio	Director
Jose Marco R. Antonio	Director
Jose Roberto R. Antonio	Director
Jose Carlo R. Antonio	Director
Ricardo Cuerva	Director
Rafael G. Yaptinchay	Director
Jose L. Cuisia	Independent Director
Stephen T. CuUnjieng	Independent Director
Carlos C. Ejercito	Independent Director

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

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

D. Declaration of Dividends.

None

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

None

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

None

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

Not Applicable

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

None.

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

None.



Item 4. Other Notes as of 1st Half of 2018 Operations and Financials.

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

None.

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

There were no changes in estimates of amounts reported in prior interim period or prior financial years that have a material effect in the current interim period.

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

See Notes to Financial Statements and Management Discussion and Analysis.

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

None

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

None

O. Changes in contingent liabilities or contingent assets since the last annual statement of financial position date.

None

P. Existence of material contingencies and other material events or transactions during the interim period

None.

Q. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

None

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

None.

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

The movement of capital expenditures being contracted arose from the regular land development and construction requirements.



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

As of June 30, 2018, there are no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the 1st Half of 2018 financial statements.

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

None.

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

See Notes to Financial Statements and Management Discussion and Analysis (MD&A) as material changes are described in detail in the MD&A section

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

None.

X. Disclosures not made under SEC Form 17-C.

None.



SIGNATURES

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

CENTURY PROPERTIES GROUP INC.

By:

A handwritten signature in black ink, appearing to read "John Paul C. Flores", is written over a faint, circular stamp or watermark.

JOHN PAUL C. FLORES
AVP Comptroller