CR05271-2018

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

   Jun 30, 2018

2. SEC Identification Number

   AS094-006430

3. BIR Tax Identification No.

   003-942-108

4. Exact name of issuer as specified in its charter

   EMPIRE EAST LAND HOLDINGS, INC.

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

   Metro Manila

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   12th Floor, Alliance Global Tower 36th Street cor. 11th Avenue Uptown Bonifacio, Taguig City
   Postal Code
   1634

8. Issuer's telephone number, including area code

   (632) 5544800

9. Former name or former address, and former fiscal year, if changed since last report

   N/A

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	14,676,199,167

11. Are any or all of registrant's securities listed on a Stock Exchange?

   ☑ Yes ☐ No

   If yes, state the name of such stock exchange and the classes of securities listed therein:

   The shares of common stock of the Company are listed on the Philippine Stock Exchange.

12. Indicate by check mark whether the registrant:

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

☑ Yes ☐ No

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

☑ Yes ☐ No

Empire East

Empire East Land Holdings, Inc.
ELI

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Jun 30, 2018
Currency (indicate units, if applicable)	Pesos

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2018	Dec 31, 2017
Current Assets	32,213,142,582	30,993,299,077
Total Assets	42,014,741,790	41,442,812,051
Current Liabilities	10,073,674,904	10,166,966,001
Total Liabilities	16,260,219,935	15,501,444,461
Retained Earnings/(Deficit)	5,753,759,548	5,447,545,430
Stockholders' Equity	25,754,521,855	25,941,367,590
Stockholders' Equity - Parent	25,133,432,549	25,320,406,431
Book Value per Share	1.71	1.73

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	1,007,367,260	1,258,869,830	2,355,121,862	2,585,003,510
Gross Expense	814,377,566	1,014,421,425	1,915,843,308	2,072,173,223
Non-Operating Income	52,227,434	56,992,589	104,673,336	93,607,260
Non-Operating Expense	53,163,671	48,961,041	104,594,268	118,885,744
Income/(Loss) Before Tax	192,053,457	252,479,953	439,357,622	487,551,803
Income Tax Expense	58,669,492	76,863,945	133,015,356	147,217,573
Net Income/(Loss) After Tax	133,383,965	175,616,008	306,342,266	340,334,230
Net Income Attributable to Parent Equity Holder	133,982,486	177,074,768	3,606,214,119	340,573,614
Earnings/(Loss) Per Share (Basic)	-	-	0.02	0.02
Earnings/(Loss) Per Share (Diluted)	-	-	0.02	0.02

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.04	0.04
Earnings/(Loss) Per Share (Diluted)	0.04	0.04

Other Relevant Information
None

Filed on behalf by:

Name	Dominic Isberto
Designation	Corporate Counsel

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 **30 June 2018**

2. Commission Identification Number: **AS094-006430**

3. BIR Tax Identification No. **003-942-108**

4. **EMPIRE EAST LAND HOLDINGS, INC.**
   Exact name of issuer as specified in its charter

5. **Metro Manila**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code

7. **12th Floor, Alliance Global Tower**
   36th Street cor. 11th Avenue
   Uptown Bonifacio, Taguig City 1634
   Address of issuer's principal office

8. **(632) 5544800**
   Issuer's telephone number, including area code

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

Title of Class	Number of Shares of Common Stock Outstanding
Common	**14,676,199,167**

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

    Yes [X] **No [ ]**

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

    The shares of common stock of the Company are listed on the Philippine Stock Exchange.

11. Indicate by check mark whether the issuer:

    (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 [X] No [ ]

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

Yes [X] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Interim financial statements are attached as Exhibits 1 to 6 hereof and incorporated herein by reference:

Exhibit 1 – Consolidated Statements of Financial Position as of December 31, 2017 and June 30, 2018
Exhibit 2 - Consolidated Statements of Comprehensive Income as of June 30, 2017 and June 30, 2018
Exhibit 3 - Comparative Statements of Changes in Equity as of June 30, 2017 and June 30, 2018
Exhibit 4 - Consolidated Statements of Cash Flows as of June 30, 2017 and June 30, 2018
Exhibit 5 - Notes to Interim Financial Statements
Exhibit 6 - Management's Discussion and Analysis Results of Operations and Financial Condition

Item 2. Aging of Accounts Receivable as of June 30, 2018

Please refer to Exhibit 7 hereof.

Item 3. Schedule of Financial Soundness Indicators

Please refer to Exhibit 8 hereof.

PART II – OTHER INFORMATION

The Company is not in possession of information which has not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

SIGNATURE

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

EMPIRE EAST LAND HOLDINGS, INC.
Issuer

By:

EVELYN G. CACHO
Senior Vice President (Principal Financial Officer) and Duly Authorized Officer
August 9, 2018

EXHIBIT 1

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousand pesos)

	Unaudited 30-Jun-18	Audited 31-Dec-17
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	P 1,092,968	P 1,280,896
Trade and other receivables - net	6,513,061	5,741,284
Advances to related parties	2,782,316	2,502,356
Residential and condominium units for sale	19,300,411	19,220,961
Property development costs	1,913,565	1,908,889
Prepayments and other current assets	610,822	338,913
Total Current Assets	32,213,143	30,993,299
NON-CURRENT ASSETS		
Trade and other receivables - net	3,823,669	3,852,115
Available-for-sale financial assets	1,308,412	1,801,600
Advances to landowners and joint ventures	131,484	306,888
Land held for future development	2,928,783	2,925,391
Investment in associates	1,158,015	1,162,296
Property and equipment - net	256,482	198,143
Investment property - net	110,209	118,556
Other non-current assets	84,545	84,524
Total Non-current Assets	9,801,599	10,449,513
TOTAL ASSETS	P 42,014,742	P 41,442,812

	Unaudited 30-Jun-18	Audited 31-Dec-17
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**P 441,471**	P 751,413
Trade and other payables	**1,633,783**	1,765,149
Deferred gross profit on real estate sales	**98,064**	95,770
Customers' deposits	**2,938,028**	2,681,448
Advances from related parties	**3,780,325**	3,678,126
Reserve for property development	**513,203**	509,789
Income tax payable	**-**	6,496
Other current liabilities	**668,801**	678,775
Total Current Liabilities	**10,073,675**	10,166,966
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**1,787,378**	1,250,000
Deferred gross profit on real estate sales	**242,843**	225,437
Reserve for property development	**1,746,305**	1,583,608
Retirement benefit obligation	**573,396**	570,284
Deferred tax liabilities	**1,836,623**	1,705,149
Total Non-current Liabilities	**6,186,545**	5,334,478
Total Liabilities	**16,260,220**	15,501,444
EQUITY		
Equity attributable to parent company's shareholders	**25,133,433**	25,320,407
Non-controlling interest	**621,089**	620,961
Total Equity	**25,754,522**	25,941,368
TOTAL LIABILITIES AND EQUITY	**P 42,014,742**	P 41,442,812

EXHIBIT 2

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousand pesos, except earnings per share)

	Unaudited April to June 2018	Unaudited Jan to June 2018	Unaudited April to June 2017	Unaudited Jan to June 2017
REVENUES				
Real estate sales	P 834,192	P 2,044,967	P 1,138,247	P 2,317,236
Realized gross profit on prior years' sales	52,668	75,179	14,825	41,336
Finance income	54,073	108,954	56,803	96,220
Equity in net (loss) earnings of associates	(1,846)	(4,281)	189	(2,613)
Commissions and other income	120,507	234,976	105,799	226,432
	1,059,594	2,459,795	1,315,863	2,678,611
COSTS & EXPENSES				
Cost of real estate sales	463,431	1,216,038	645,739	1,295,612
Deferred gross profit on current year's sales	26,125	94,878	(8,097)	66,160
Finance costs	53,163	104,594	48,961	118,886
Operating expenses	324,822	604,928	376,780	710,401
Tax expense	58,669	133,015	76,864	147,218
	926,210	2,153,453	1,140,247	2,338,277
NET PROFIT	133,384	306,342	175,616	340,334
Net profit attributable to:				
Parent company's shareholders	P 133,982	P 306,214	P 177,074	P 340,573
Non-controlling interest	(598)	128	(1,458)	(239)
	P 133,384	P 306,342	P 175,616	P 340,334
OTHER COMPREHENSIVE INCOME (LOSS)				
Fair value gains (losses) on available-for-sale financial assets	(177,908)	(493,188)	182,412	171,152
TOTAL COMPREHENSIVE INCOME (LOSS)	P (44,524)	P (186,846)	P 358,028	P 511,486
Total comprehensive income (loss) attributable to:				
Parent company's shareholders	P (43,926)	P (186,974)	P 359,486	P 511,725
Non-controlling interest	(598)	128	(1,458)	(239)
	P (44,524)	P (186,846)	P 358,028	P 511,486
Earnings Per Share				
Basic		P 0.0209		P 0.0232
Diluted		P 0.0209		P 0.0232

EXHIBIT 3

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
COMPARATIVE STATEMENTS OF CHANGES IN EQUITY

	(In Thousands)			
	Unaudited 30-Jun-2018		Unaudited 30-Jun-2017	
CAPITAL STOCK		**P 14,803,455**		P 14,803,455
ADDITIONAL PAID-IN CAPITAL		**4,307,888**		4,307,888
TREASURY SHARES		**(102,107)**		(102,107)
REVALUATION RESERVES				
Balance at beginning of year	**863,624**		468,066	
Net unrealized fair value gains (losses) on available-for-sale financial assets	**(493,188)**		171,152	
Balance at end of period		**370,436**		639,218
RETAINED EARNINGS		**5,753,761**		5,156,461
MINORITY INTEREST		**621,089**		620,182
TOTAL EQUITY		**P 25,754,522**		P 25,425,097

EXHIBIT 4

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousand pesos)

		Unaudited 30-Jun-18		Unaudited 30-Jun-17
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	**P**	**439,358**	P	487,552
Adjustments for:				
Depreciation and amortization		**18,510**		16,938
Finance costs		**104,594**		118,886
Finance income		**(108,954)**		(96,220)
Equity in net loss of associates		**4,281**		2,613
Operating income before working capital changes		**457,789**		529,769
Net Changes in Operating Assets and Liabilities				
Increase in current and non-current assets		**(1,067,976)**		(926,978)
Increase in current and other non-current liabilities		**136,511**		155,701
Increase in reserve for property development		**166,111**		100,901
Cash used in operations		**(307,565)**		(140,607)
Interest received		**16,291**		14,834
Cash paid for income taxes		**(8,037)**		(21,779)
Net Cash Used in Operating Activities		**(299,311)**		(147,552)
CASH FLOWS USED IN INVESTING ACTIVITIES		**(65,880)**		(7,875)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**177,263**		(243,862)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(187,928)**		(399,289)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**1,280,896**		1,008,998
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P**	**1,092,968**	**P**	**609,709**

EXHIBIT 5

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Empire East Land Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 15, 1994. The Company is presently engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. The Company also leases out commercial and industrial properties.

The shares of common stock of the Company are listed at the Philippine Stock Exchange (PSE).

The Company holds ownership interests in the following entities:

Subsidiaries/ Associates	Explanatory Notes	Percentage of Ownership June 2018	2017	2016
Eastwood Property Holdings, Inc. (EPHI)	(a)	**100%**	100%	100%
Valle Verde Properties, Inc. (VVPI)	(b)	**100%**	100%	100%
Sherman Oak Holdings, Inc. (SOHI)	(b)	**100%**	100%	100%
Empire East Communities, Inc. (EECI)	(c)	**100%**	100%	100%
Laguna BelAir Science School, Inc. (LBASSI)	(d)	**73%**	73%	73%
Sonoma Premier Land, Inc. (SPLI)	(b)	**60%**	60%	60%
20th Century Nylon Shirt Co., Inc. (20th Century)	(e)	**100%**	100%	100%
Associates:				
Gilmore Property Marketing Associate, Inc. (GPMAI)	(b)	**47%**	47%	47%
Pacific Coast Megacity Inc. (PCMI)	(f)	**20%**	20%	20%

Explanatory Notes:

(a) Subsidiary incorporated to market real estate properties of the Group and other related parties.

(b) Subsidiaries/associate incorporated in prior years but have not yet started commercial operations as of September 30, 2017.

(c) Subsidiary incorporated in prior year but ceased its operations as a marketing arm of real estate properties in 2014.

(d) Subsidiary primarily engaged in operating a school for primary and secondary education.
(e) Subsidiary acquired in 2015 which is yet to resume its operations.
(f) Associate acquired in 2015. The Company plans to acquire 100% ownership interest over a period of five years.

The registered office, which is also the place of operations of the Company's subsidiaries and associates, is located at 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City except for EPHI, LBASSI, 20th Century, and PCMI. The registered office, which is also the place of operations, of EPHI, LBASSI, 20th Century, and PCMI are summarized below.

(a) EPHI – 28th Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City
(b) LBASSI – Brgy. Don Jose, Sta. Rosa, Laguna
(c) 20th Century – 632 Shaw Blvd. Highway Hills, Mandaluyong City
(d) PCMI – 7th Floor 1880 Building Eastwood City E. Rodriguez Jr. Ave. Bagumbayan, Quezon City

In prior years, the Company increased its ownership interest in VVPI and LBASSI resulting to 100% and 73% ownership control over the respective subsidiaries. This resulted to the recognition of goodwill which amounted to P78.3 million as of June 30, 2018 and December 31, 2017, and shown as part of Other non-current assets account in the consolidated statements of financial position.

In February 2015, the Company acquired 100% ownership interest in 20th Century.

Also, in 2015, the Company invested in PCMI amounting to P877.8 million in exchange for 750,000,000 shares representing 20% ownership interest in the said company. The Company exercises significant influence over PCMI; hence, the investment is accounted as an Investment in Associate.

The Company is a subsidiary of Megaworld Corporation (Megaworld or parent company). Megaworld is engaged in the development of large scale mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The parent company is presently engaged in property-related activities, such as, project design, construction and property management. Megaworld is 67.25% owned by Alliance Global Group, Inc. (AGI), the Company's ultimate parent company. AGI is a holding company with diversified investments in food and beverage, real estate, tourism-entertainment and gaming and quick service restaurant businesses. The shares of common stock of both Megaworld and AGI are listed at the PSE.

On December 27, 2017, the SEC approved the change in the Company's registered office and principal place of business from 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City to 12th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. The related approval from the Bureau of Internal Revenue (BIR) was not yet obtained as of the date the financial statements were authorized for issue.

Megaworld's registered office, as of June 30, 2018, is located at the 30th Floor of the same building as that of the Company. AGI's registered office is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriquez Jr. Avenue, Bagumbayan, Quezon City. These entities' registered offices are also their respective principal places of business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income.

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2018 that are Relevant to the Group

There are new PFRS, interpretations, improvements and amendments to existing standards effective for annual periods subsequent to 2017 which are adopted by the FRSC. Management will adopt the relevant pronouncements as discussed below and in the succeeding pages in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) PAS 40 (Amendments), *Investment Property – Reclassification to and from Investment Property* (effective from January 1, 2018). The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. Management has assessed that this amendment has no significant impact on the Group's consolidated financial statements.

(ii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income (FVTOCI) if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The standard also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Group's financial assets and financial liabilities as at June 30, 2018, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- On classification and measurement of the Group's financial assets, management holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects the majority of trade and other receivables to continue to be accounted for at amortized cost.

- Available-for-sale (AFS) financial assets is composed of listed equity securities (see Note 8). In applying PFRS 9 (2014), the Group shall make an irrevocable designation whether these equity securities shall be classified as financial assets at FVTPL or at FVTOCI. The Group initially assessed that these equity securities shall be designated, on date of initial application, as financial assets at FVTOCI. Thus, these instruments will continue to be measured at fair value, with market-to-market fluctuations and realized gain (loss) on sale directly recognized in other comprehensive income.

- The expected credit loss model will apply to the Group's trade receivables. For other financial assets and receivables, the Group will apply a simplified model of recognizing lifetime expected credit losses at these items do not have a significant financing component.

- Most of the financial liabilities of the Group are measured at amortized cost. Upon application of PFRS 9 (2014), management has assessed that the amortised cost classification for financial liabilities will be retained.

(iii) PFRS 15, *Revenue from Contracts with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on an assessment and comprehensive study of the Group's revenue streams as at June 30, 2018, which has been limited to the facts and circumstances existing at that date, management determined that its significant sources of revenue from contracts with customers covered by PFRS 15 pertains to real estate sales.

Real estate sales include sale of subdivision lots, house and lot packages, and residential and condominium units on which the Group's performance obligation is to transfer ownership over the developed properties. The Group begins selling real properties prior to the completion of the development. Based on the requirements of PFRS 15, the Group has assessed that its performance obligation on its sale of real properties under development is satisfied over time considering that, under existing laws and regulations, the Group does not have an alternative use on the assets being developed and that it has rights to payment over the development completed to date. When the Group sells developed properties, its performance obligation is satisfied at a point in time; that is when the customer has accepted the property.

The Group has also assessed that a significant financing component is common to its contracts to sell real properties as the timing of collections of promised consideration is not aligned with the timing of the satisfaction of performance obligation. Such timing difference usually extends beyond twelve months.

(iv) IFRIC 22, *Foreign Currency Transactions and Advance Consideration - Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this interpretation has no material impact on the Group's consolidated financial statements.

(v) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PAS 28 (Amendment), *Investment in Associates – Clarification on Fair Value through Profit or Loss Classification* (effective from January 1, 2018) is relevant to the Group. The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.

Management has initially assessed that this amendment has no material impact on the Group's consolidated financial statements.

(b) Effective Subsequent to 2018 that are Relevant to the Group

(i) PAS 28 (Amendment), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendment clarifies that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendment further clarifies that long term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management is currently assessing the impact of this amendment on the Group's consolidated financial statements.

(ii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of this amendment on the Group's consolidated financial statements.

(iii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similar to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard on the Group's consolidated financial statements.

(iv) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this interpretation on the Group's consolidated financial statements.

(v) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends.* The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization.* The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), *Business Combinations* and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation.* The amendments clarify that previously held interest in a joint operation shall be remeasured when the Company obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Company obtains joint control of the business.

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Judgments in Applying Accounting Policies

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

(a) Revenue Recognition

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(b) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(c) Distinction Among Investment Property, Owner-managed Properties and Land Held for Future Development

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

(d) Distinction Between Residential and Condominium Units for Sale and Investment Properties

Residential and condominium units for sale comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Group considers management's intention over these assets in making its judgment.

(e) Distinction Between Operating and Finance Leases

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

Based on management's assessment, all of the Group's current lease agreements are classified as operating leases.

(f) Distinction Between Asset Acquisition and Business Combinations

The Company acquires subsidiaries that own real estate properties. At the time of acquisition, the Company considers whether the acquisition represents the acquisition of a business. The Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40, *Investment Property,* on ancillary services.

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies

3.2 Key Sources of Estimation Uncertainty

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

(a) Impairment of Trade and Other Receivables and Advances to Related Parties

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, their current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

(b) *Determination of Net Realizable Value of Residential and Condominium Units for Sale, Property Development Costs and Land Held for Future Development*

In determining the net realizable value of residential and condominium units for sale, property development costs and land held for future development, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's Residential and Condominium Units for Sale, Property Development Costs and Land Held for Future Development accounts within the next reporting period.

(c) *Estimation of Useful Lives of Property and Equipment and Investment Property*

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

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

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

(e) *Impairment of Goodwill and Other Non-financial Assets*

Goodwill is reviewed annually for impairment while other non-financial assets are tested whenever certain impairment indicators become present. In assessing impairment, the management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

(f) *Valuation of Post-employment Defined Benefit*

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

(g) *Revenue Recognition Using the Percentage-of-Completion Method*

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of this method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts. There were no changes in the assumptions or basis for estimation during the period.

(h) *Determination of Fair Value of Investment Property*

Investment property is measured using the cost model. The consolidated financial statements is determined by the Group using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations.

The fair values of the properties were derived using the observable recent prices of the reference properties and were adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value of the properties.

The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting periods. A significant change in these elements may affect prices and the value of the assets.

(i) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in the consolidated statement of comprehensive income in the subsequent period.

4. SEGMENT REPORTING

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. It classifies and monitors its projects into high-rise and horizontal. High-rise projects refer to condominiums and other medium scale properties while the horizontal projects refer to house and lot packages and subdivision lots. Both are intended for middle income market.

4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating receivables, property development cost, residential and condominium units for sale and investment property. Segment liabilities include all operating liabilities incurred by management in each particular segment.

4.3 Intersegment Transactions

There are no intersegment transactions. In case of inter-segment sales and transfers, the Group generally accounts for them as if the sales or transfers were made to third parties at current market prices. Intersegment sales and transfers, if any, are eliminated in the preparation of the financial statements.

4.4 Analysis of Segment Information

The succeeding pages present the revenue and profit information regarding industry segments for the six months ended June 30, 2018 and 2017 and certain assets and liabilities information regarding industry segments as of June 30, 2018 and December 31, 2017.

	High Rise Projects		Horizontal Projects		Total	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017	**June 30, 2018**	June 30, 2017
REVENUES						
Real Estate Sales	**P 1,973,455,715**	P 2,087,827,214	**P 71,511,039**	P 229,408,443	**P 2,044,966,754**	P 2,317,235,657
Realized gross profit on prior years' sale	**75,179,066**	41,336,201	**-**	-	**75,179,066**	41,336,201
Finance income	**16,426,335**	13,059,258	**(636,921)**	1,342,689	**15,789,414**	14,401,947
Commission & Other Income	**129,798,323**	85,137,293	**17,873,009**	29,167,518	**147,671,332**	114,304,811
Total Revenues	**2,194,859,439**	2,227,359,966	**88,747,127**	259,918,650	**2,283,606,566**	2,487,278,616
COSTS AND OTHER OPERATING EXPENSES						
Cost of Real Estate Sales	**1,198,985,311**	1,226,327,939	**17,052,524**	69,284,354	**1,216,037,835**	1,295,612,293
Deferred gross profit on current years' sale	**94,840,482**	66,054,065	**37,793**	105,884	**94,878,275**	66,159,949
Operating expenses	**268,923,084**	327,912,650	**27,495,848**	25,789,340	**296,418,932**	353,701,990
Cost and other operating expenses excluding depreciation and amortization	**1,562,748,877**	1,620,294,654	**44,586,165**	95,179,578	**1,607,335,042**	1,715,474,232
Depreciation and amortization	**1,753,224**	1,655,853	**6,798,723**	6,847,808	**8,551,947**	8,503,661
	1,564,502,101	1,621,950,507	**51,384,888**	102,027,386	**1,615,886,989**	1,723,977,893
SEGMENT OPERATING PROFIT (LOSS)	**P 630,357,338**	P 605,409,459	**P 37,362,239**	P 157,891,264	**P 667,719,577**	P 763,300,723

	High Rise Projects		Horizontal Projects		Total	
	June 30, 2018	Dec. 31, 2017	**June 30, 2018**	Dec. 31, 2017	**June 30, 2018**	Dec. 31, 2017
SEGMENT ASSETS AND LIABILITIES						
Segment Assets	**22,809,961,590**	22,082,169,314	**5,624,041,670**	5,738,513,158	**28,434,003,260**	27,820,682,472
Segment Liabilities	**2,414,205,733**	2,228,397,462	**186,209,295**	186,207,184	**2,600,415,028**	2,414,604,646

4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its financial statements

		June 30, 2018		June 30, 2017
Revenues				
Total segment revenues	**P**	**2,283,606,566**	P	2,487,278,616
Other unallocated revenues		**176,188,631**		191,332,154
Revenues as reported in profit or loss	**P**	**2,459,795,197**	P	2,678,610,770
Profit or loss				
Segment operating profit	**P**	**667,719,577**	P	763,300,723
Other unallocated income		**176,188,631**		191,332,154
Other unallocated expense		**(404,550,586)**		(467,081,074)
Profit before tax as reported in profit or loss	**P**	**439,357,622**	P	487,551,803

		June 30, 2018		Dec. 31, 2017
Assets				
Segment Assets	**P**	**28,434,003,260**	P	27,820,682,472
Unallocated Assets		**13,580,738,530**		13,622,129,579
Total assets as reported in the consolidated statements of financial position	**P**	**42,014,741,790**	P	41,442,812,051
Liabilities				
Segment Liabilities	**P**	**2,600,415,028**	P	2,414,604,646
Unallocated Liabilities		**13,659,804,907**		13,086,839,815
Total liabilities as reported in the consolidated statements of financial position	**P**	**16,260,219,935**	P	15,501,444,461

5. STOCK RIGHT

On April 24, 2012, the Company's BOD approved the offer for subscription of 2,695,239,833 new shares (the "right shares") by way of a pre-emptive offer (the "rights offer") to holders of its common shares at the proportion of one new share for every four existing common shares, at the offer/exercise price equivalent to their par value of P1 per share. This was approved by SEC on August 30, 2012.

Also, on April 24, 2012, the BOD approved the increase in the Company's authorized capital stock from P23.5 billion divided into 21.5 billion common and 2 billion preferred shares both with par value of P1 each, to P33.5 billion divided into 31.5 billion common and 2 billion preferred shares both with par value of P1 per share. The application for the increase in authorized capital stock was approved by the SEC on October 17, 2012.

As of June 30, 2018, the Company's number of shares issued and outstanding totalled 14,803,455,238 with total Treasury Stock of 127,256,071.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profits attributable to parent company's shareholders divided by the weighted average number of shares in issue during the period.

Earnings per share amounts were computed as follows:

	June 30, 2018	June 30, 2017
Weighted average number of shares	**14,676,199,167**	14,676,199,167
Income available to parent company's Shareholders	**P 306,214,119**	P 340,573,614
Basic	**P 0.0209**	P 0.0232
Diluted	**P 0.0209**	P 0.0232

7. COMMITMENTS AND REAL ESTATE PROPERTIES

There were no material contingencies and any other events or transactions that have material impact on the current interim period. There were no issuances, repurchases, and repayments of debt on the current interim period.

8. SEASONAL FLUCTUATIONS

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

9. ASSESSMENT OF FINANCIAL RISKS

The Group is exposed to a variety of financial risks, which result from both its operating and investing activities. Risk management is carried out by a central treasury department under policies approved by the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

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

9.1) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Foreign exchange risk arises from the Group's U.S. dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are closely monitored.

The Group's U.S.-dollar denominated financial assets, translated into Philippine pesos amounted to P25.49 million as of June 30, 2018.

At June 30, 2018, if the peso had strengthened by 12.36% against the U.S. dollar with all other variables held constant, income before tax for the year would have been P3.15 million higher, mainly as a result of foreign exchange gain on translation of U.S. dollar-denominated cash and cash equivalents.

On the other hand, if the peso had weakened by the same percentage, with all other variables held constant, income before tax would have been lower by the same amount.

The 12.36% movement in the value of peso against U.S. dollar was estimated based on the market volatility in exchange rates. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the reporting period.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

9.2) Interest Rate Sensitivity

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises only from cash and cash equivalents, which are subject to variable interest rates. Financial assets and liabilities at variable rates expose the group to cash flow interest rate risk. All other financial assets and liabilities have fixed rates.

On June 30, 2018, if general interest rates on dollar and peso-denominated financial assets had been higher by 0.47%, with all other variables held constant, income before tax for the year would have been P8.04 million higher, mainly as a result of higher interest income on floating rate deposits.

The movements in interest rates used in the sensitivity analysis are considered reasonably possible and are based on observation of interest rate fluctuations for the past six months using a 95%-confidence level. The calculations are based on the Group's financial instruments held at each reporting period, with effect estimated from the beginning of the year.

9.3) Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statements of financial position, as summarized below.

	As of June 30, 2018	As of Dec. 31, 2017
Cash and cash equivalents	**P 1,092,967,963**	P 1,280,896,149
Trade and other receivables - net	**8,783,208,029**	8,271,177,977
Advances to related parties	**2,782,316,294**	2,502,356,313
	P 12,658,492,286	P 12,054,430,439

The credit risk for liquid funds is considered negligible, since the counter parties are reputable banks with high quality external credit ratings. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics.

The Group continuously monitors defaults of customers and other counter parties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counter parties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

9.4) Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 9-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 90-day periods. Excess cash are invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at June 30, 2018, the Group's financial liabilities have contractual maturities which are presented below:

	Within 6 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 441,470,978	P 1,787,378,231
Trade and other payables	1,401,080,133	-
Advances from related parties	3,780,325,117	-
Other current liabilities	629,237,612	-
	P 6,252,113,840	**P 1,787,378,231**

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

	Within One Year	**One to Five Years**	**More than Five Years**
Interest-bearing loans and borrowings	P 825,782,792	P 1,369,268,000	P -
Trade and other payables	1,673,833,009	-	-
Advances from related parties	3,891,099,978	-	-
Other current liabilities	678,774,641	-	-
	P 7,069,490,420	**P 1,369,268,000**	**P -**

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

9.5) Other Market Price Risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

At June 30, 2018, if the quoted stock price for the securities had decreased by 6.28% with all other variables held constant, equity would have been lower by about P82.20 million. The 6.28% estimated change in quoted market price is computed based on volatility of local index for holdings first listed at Philippine Stock Exchange.

On the other hand, if the quoted market price for these securities had increased by the same amount, with all other variables held constant, equity for the year would have been higher by the same figure.

The investments in listed equity securities are considered long-term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

10. FINANCIAL INSTRUMENTS EVALUATION

Financial assets include cash and financial instruments. The Group classifies its financial assets, other than hedging instruments, into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Regular purchase and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss is initially recognized at fair value and transaction costs are expensed in the statements of comprehensive income.

The foregoing categories of financial instruments are more fully described below.

10.1) Financial Assets at Fair Value through Profit or Loss

This category includes financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. Derivatives are also categorized as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months from the reporting period.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets originally are designated as financial assets at fair value through profit or loss may not be subsequently be reclassified.

10.2) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those maturities with greater than 12 months after the reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

The Group's loans and receivables are presented as Trade and other receivables, Advances to landowners and joint ventures, and Advances to related parties in the statements of financial position.

10.3) Held-to-maturity Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if the Group has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. They are included in non-current assets in the statements of financial position, except those maturing within 12 months of the reporting period.

Held-to-maturity investments are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

10.4) Available-for-sale Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the reporting period.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the statements of comprehensive income when they are sold or when the investment is impaired.

In the case of impairment, any loss previously recognized in equity is transferred to the statements of comprehensive income. Impairment losses recognized in the statements of comprehensive income on equity securities are not reversed through the statements to comprehensive income. Losses recognized in prior year statements of comprehensive income resulting from the impairment of debt instruments are reversed through the statements of comprehensive income.

For investment that are actively traded in organized financial markets, fair value is determined by reference to quoted market bid prices in the stock exchange at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in consolidated profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

De-recognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

The Group has no investment in foreign securities as of reporting period. The markets of the Group's Available-for-sale financial assets are active.

EXHIBIT 6

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Review of June 30, 2018 versus June 30, 2017

During the six-month period, the consolidated net profit amounted to P306.3 million, 10% lower than the previous year's net income of P340.3 million. Consolidated revenues, composed of real estate sales, realized gross profit, finance income, earnings of associates, commissions and other revenues amounted to P2.5 billion in 2018 and P2.7 billion in 2017.

Real Estate Sales

The Group registered Real Estate Sales of P2.0 billion for six months ended June 30, 2018 compared with P2.3 billion in 2017. The sales generated were derived from various projects including San Lorenzo Place, Covent Garden, Pioneer Woodlands, Kasara Urban Resort Residences, The Rochester Gardens, The Cambridge Village, Little Baguio Terraces, California Gardens Square, The Sonoma and Laguna Bel Air projects.

The Cost of Real Estate Sales amounting to P1.2 billion in 2018 and P1.3 billion in 2017, as a percentage of Real Estate Sales, was 59% and 56%, respectively. The change was primarily due to the different composition of products sold for each year.

Gross Profit was P0.8 billion during the six months of 2018 and P1.0 billion in 2017, or 41% and 44% of Real Estate Sales, respectively. The gross profit margin varies depending on the product mix and the competitiveness of prices of each product. Realized Gross Profit amounting to P809.2 million in 2018 and P996.8 million in 2017, represents 40% and 43% of Real Estate Sales, respectively.

Other Revenues

The finance income amounting to P109.0 million and P96.2 million in 2018 and 2017 respectively, were derived from advances and in-house financing which accounted for 4% of total revenues both for 2018 and 2017. Additional sources of revenue were commissions of a subsidiary, rentals of investment properties and those obtained from other sources. Commission and other income totaling P235.0 million in 2018 and P226.4 million in 2017, represents 10% and 8% of total revenues, respectively.

Operating Expenses

Operating Expenses posted a decrease from P710.4 million in 2017 to P604.9 million in 2018. Other charges/expenses include Finance Cost of P104.6 million and P118.9 million in 2018 and 2017, respectively.

FINANCIAL CONDITION

Review of June 30, 2018 versus December 31, 2017

Total resources of the Group as of June 30, 2018 and December 31, 2017 amounted to P42.0 billion and P41.4 billion respectively. Cash and Cash Equivalents decreased from P1.3 billion to P1.1 billion. The Group remained liquid with Total Current Assets of P32.2 billion in 2018 and P31.0 billion in 2017, which accounted for 77% in 2018 and 75% in 2017 of the Total Assets, while its Total Current Liabilities amounted to P10.0 billion in June 30, 2018 as compared with P10.2 billion in December 31, 2017.

The Equity decreased from P25.9 billion in the previous year to P25.8 billion as of June 30, 2018 due to revaluation of equity investments for the 6-month period.

For the six months of 2018 and in the year 2017, the Group sourced its major cash requirements from internally generated funds and partly from borrowings.

The Group utilized its funds for construction and development of projects, loan repayments, settlement of various payables and other operating expenses.

TOP FIVE (5) KEY PERFORMANCE INDICATORS

For the six-month period of 2018, the following are top key performance indicators of the Group:

1) **Real Estate Sales**

   The Group's marketing concepts and sales strategies, project location, flexible payment scheme and aggressive selling have contributed to the Group's real estate sales. The Group's new projects are connected to mass transit system and are conveniently located in business districts of Metro Manila

2) **Increase in Reservation Sales**

   Effective marketing concepts and strategies, aggressive selling and prime location of projects contributed to increase in reservation sales and collection.

3) **Other Revenues**

   Other income derived from various sources contributed to the Group's revenue.

4) **Ability to repay loan obligations**

   The loan obligations were promptly settled. The Group maintains a good credit standing with creditor banks and has considerable standby credit facilities, which can be utilized for urgent capital requirements.

5) Continuous development of projects

The Group aggressively undertakes construction and development activities and has been exerting efforts to deliver its projects within the commitment timetable.

Material Changes in the 2018 Interim Financial Statements
(Increase or decrease of 5% or more versus December 31, 2017)

Statements of Financial Position

- 15% decrease in Cash and cash equivalents
  Mainly due to construction related payments

- 8% increase in Trade and other receivables
  Mainly due to booked sales in the current year net of collections from sales in previous years

- 11% increase in Advances to related parties
  Primarily due to interest on advances

- 80% increase in Prepayments and other current assets
  Mainly due to increase in prepaid taxes related to transfer of titles and input vat on purchases

- 27% decrease in Available for Sale Financial Assets
  Mainly due to decrease in fair market value of investment in securities held by a subsidiary

- 57% decrease in Advances to Landowners and Joint Venture
  Mainly due to collection from landowner/joint venture

- 29% increase in Property and equipment
  Mainly due to increase in capital expenditures

- 7% decrease in Investment property
  Primarily due to depreciation charges

- 11% increase in Interest-bearing loans and borrowings
  Mainly due to loan availments

- 7% decrease in Trade and Other Payables
  Various payments to contractors and suppliers due to increasing construction activities

- 6% increase in Deferred Gross Profit on Real Estate Sales
  Mainly due to unearned gross profit on sales of new projects

- 10% increase in Customers' Deposit
  Mainly due to increase in reservation sales and collection from various projects

- 8% increase in Reserve for property development
  Pertains to estimated cost to complete the construction/development of sold units

- 100% decrease in Income tax payable
  Mainly due to payment of previous year's income tax payable

- 8% increase in Deferred Tax Liabilities
  Mainly due to increase in income tax expense

Statements of Comprehensive Income
(Increase or decrease of 5% or more versus June 30, 2017)

- 12% decrease in Real Estate Sales
  Primarily due to timing of sales recognition which considers percentage of collections

- 82% increase in Realized gross profit on prior years' sale
  Due to construction accomplishment of certain projects

- 13% increase in Finance income
  Primarily due to interest on advances

- 64% increase in Equity in net loss of associates
  Primarily due to decrease in net earnings of associate

- 6% decrease in Cost of real estate sales
  Mainly attributed to decrease in sales

- 43% increase in Deferred gross profit on current year's sales
  Due to increase in sales of new projects with on-going construction

- 12% decrease in Finance costs
  Mainly due to repayment of loans

- 15% decrease in Operating Expenses
  Primarily due to decrease in marketing and administrative expenses

- 10% decrease in Tax Expense
  Mainly due to decrease in taxable income

For the year 2018, the projected capital expenditures (construction and development) of roughly P5.0 billion is expected to be funded by collections, borrowings and equity financing.

Fluctuations in foreign exchange rate had no adverse effect on the Group's financial conditions since the Group has very minimal importations of construction-related materials and have no foreign denominated loans.

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

The nature of all revenues and expenses disclosed in the statements of comprehensive income are business related transactions and arose from the Group's continuing operations. Also, no prior period adjustment was made during any period covered by the statements of financial position.

There are no material off-statements of financial condition transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

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

The Group is aggressively marketing its products specially the new projects. It continuously offers competitive prices, more lenient payment schemes under in-house financing and has strong tie-ups with reputable banks for the financing requirements of its buyers.

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Exhibit 7

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
As of June 30, 2018
Amounts in thousands

1) Aging of Accounts Receivable

Type of Receivables	Total	Current / Not Yet Due	1-3 Months	4-6 Months	7 Months - 1 Year	Above 1 Year	Past due accounts & Items in Litigation
a) Trade Receivables	7,172,986	6,639,452	86,046	186,006	205,623	55,859	-
b) Other Receivables	3,163,744	3,163,744	-	-	-	-	-
Net Receivables	10,336,730						

2) Accounts Receivable Description

Type of Receivables	Nature/Description	Collection Period
a) Trade Receivables	Sale of residential units/lots	maximum of 10 years
b) Other Receivables	Advances to contractors/suppliers	1 to 2 years

3) Normal Operating Cycle: 3 to 15 years

EXHIBIT 8

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

	30-Jun-2018	31-Dec-2017
Current ratio	3.20	3.05
Quick ratio	0.76	0.69
Debt-to-equity ratio	0.63	0.60
Interest-bearing debt to total capitalization ratio	0.08	0.07
Asset-to-equity ratio	1.63	1.60
		30-Jun-2017
Interest rate coverage ratio	520%	510%
Net profit margin	12.45%	12.71%
Return on assets	0.75%	0.88%
Return on equity/investment	1.19%	1.34%
Return on equity/investment of owners	1.22%	1.37%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.
Current ratio - computed as current assets divided by current liabilities
Quick ratio - computed as cash, marketable securities, accounts receivable divided by current liabilitites

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term-debt.
Debt-to-equity ratio-computed as total liabilities divided by total equity.
Interest-bearing debt to total capitalization ratio-computed as interest-bearing debt divided by interest-bearing debt + stockholder's equity attributable to controlling interest.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency.
It shows how much of the assets are owned by the company. It is computed as total assets divided by total equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments.
It is computed as earnings before income tax and interest expense ("EBIT") divided by interest.

PROFITABILITY RATIOS
Net profit margin - computed as net profit divided by total revenues
Return on assets - net profit divided by average total assets
Return on investment - net profit divided by total stockholders' equity
Return on investment of equity owners - net profit attributable to owners of the parent divided by equity attributable to owners of the parent company