

COVER SHEET

SEC Registration Number

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Company Name

D	.	M	.		W	E	N	C	E	S	L	A	O		&		A	S	S	O	C	I	A	T	E	S	,			
I	N	C	O	R	P	O	R	A	T	E	D																			

Principal Office (No./Street/Barangay/City/Town/Province)

3	/	F		A	S	E	A	N	A	P	O	W	E	R	S	T	A	T	I	O	N		B	L	D	G	.			
D	.	M	A	C	A	P	A	G	A	L		B	L	V	D	.		C	O	R	.		B	R	A	D	C	O		
A	V	E	.	,		A	S	E	A	N	A		C	I	T	Y	,		P	A	R	A	N	A	Q	U	E			
C	I	T	Y																											

Form Type

1	7	-	Q		
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

iro@dmwai.com

Company's Telephone Number/s

854 - 5711

Mobile Number

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No. of Stockholders

11

Annual Meeting
Month/Day

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Fiscal Year
Month/Day

June 30

CONTACT PERSON INFORMATION

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

Name of Contact Person

ATTY. HEHERSON M. ASIDDAO

Email Address

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Telephone Number/s

854 - 5711

Mobile Number

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Contact Person's Address

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

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

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, 2019
2. Commission identification number 26986
3. BIR Tax Identification No 000-846-618-000
4. Exact name of issuer as specified in its charter D.M. Wenceslao & Associates, Incorporated
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office and postal Code
3/F Aseana Powerstation Building Aseana Business Park
D. Macapagal Blvd. Cor. Bradco Ave., Aseana City, Parañaque City
8. Issuer's telephone number, including area code: (632) 854-5711
9. Former name, former address and former fiscal year, if changed since last report: Not applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

As of June 30, 2019

<u>Title of each class</u>	<u>Number of shares issued and outstanding and amount of debt outstanding</u>
Capital Stock, P1 par value	3,395,864,100

11. 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:

Stock Exchange: Philippine Stock Exchange

Securities listed: 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 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 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 []

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND DECEMBER 31, 2018
(Amounts in Philippine Pesos)

	Notes	June 30, 2019 (UNAUDITED)	December 31, 2018 (AUDITED)
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	7	P 9,112,383,149	P 7,549,219,648
Receivables - net	8	2,251,496,080	2,322,517,894
Contract asset		433,737,083	166,652,337
Land and land development costs	10	2,193,040,192	2,162,209,345
Property development costs	9	772,657,677	711,411,174
Other current assets	11	540,236,963	1,854,411,290
		15,303,551,144	14,766,421,688
TOTAL Current Assets			
NON-CURRENT ASSETS			
Receivables	8	2,907,039,878	2,488,826,277
Investments in associates and joint ventures	12	62,637,634	55,834,465
Property and equipment - net	13	126,381,193	130,657,585
Investment properties - net	14	12,246,184,305	11,448,382,530
Deferred tax assets - net		120,459,560	47,941,716
Other non-current assets	15	698,831,164	723,588,366
		16,161,533,734	14,895,230,939
TOTAL Non-current Assets			
INVESTMENT IN JOINT VENTURE HELD FOR TERMINATION			
		127,062,953	127,062,953
TOTAL ASSETS			
		P 31,592,147,831	P 29,788,715,580

	Notes	June 30, 2019 (UNAUDITED)	December 31, 2018 (AUDITED)
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Loans and borrowings	16	P 1,434,820,000	P 1,417,170,000
Trade and other payables	17	1,250,566,472	1,125,151,170
Contract liability		581,161,671	210,459,821
Advances from a co-joint venturer		1,000,000,000	1,000,000,000
Advances from related parties	22	4,610,542,076	4,611,174,814
Deposits and advances	18	932,967,961	793,551,597
Total Current Liabilities		<u>9,810,058,180</u>	<u>9,157,507,402</u>
NON-CURRENT LIABILITIES			
Loans and borrowings	16	474,250,000	511,750,000
Deposits and advances	18	561,864,016	504,858,972
Deferred tax liabilities - net		842,516,594	720,976,913
Retirement benefit obligation		26,651,435	27,643,914
Total Non-current Liabilities		<u>1,905,282,045</u>	<u>1,765,229,799</u>
Total Liabilities		<u>11,715,340,225</u>	<u>10,922,737,201</u>
EQUITY			
Equity attributable to holders of the parent company			
Capital stock	25	3,395,864,100	3,395,864,100
Additional paid-in capital		6,964,649,807	6,964,649,807
Revaluation reserves - net		(28,524,335)	(28,524,335)
Other Reserves		(275,974,845)	(275,974,845)
Retained earnings		9,143,649,753	8,141,450,177
Total equity attributable to holders of the parent company		19,199,664,480	18,197,464,904
Noncontrolling interest		677,143,126	668,513,475
Total Equity		<u>19,876,807,606</u>	<u>18,865,978,379</u>
TOTAL LIABILITIES AND EQUITY		<u>P 31,592,147,831</u>	<u>P 29,788,715,580</u>

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018
(Amounts in Philippine Pesos)
(UNAUDITED)

		2019		2018	
	Notes	April 1 to June 30, 2019	January 1 to June 30, 2019	April 1 to June 30, 2018	January 1 to June 30, 2018
REVENUES					
Rentals:					
Land	14	P 242,201,704	P 497,444,984	P 236,629,544	P 482,192,981
Building	14	198,970,670	392,489,115	186,293,144	351,900,929
Other revenues		48,326,747	93,439,186	43,715,194	85,900,927
		<u>489,499,121</u>	<u>983,373,285</u>	466,637,882	919,994,837
Construction contracts		10,384,977	12,130,599	52,716,124	114,517,783
Sale of condominium units	9	166,737,451	266,741,449	32,590,663	44,360,821
Land sales	10	-	-	-	1,252,800
		<u>666,621,549</u>	<u>1,262,245,333</u>	551,944,669	1,080,126,241
COSTS OF SERVICES AND SALES					
Rentals	19	66,339,450	128,671,014	50,580,614	98,144,059
Land sales	10	-	-	-	40,079
Construction contracts	19	5,397,079	6,198,788	52,221,417	64,353,627
Sale of condominium units	9	87,561,095	144,947,932	19,507,286	26,846,886
		<u>159,297,624</u>	<u>279,817,734</u>	122,309,317	189,384,651
GROSS PROFIT		<u>507,323,925</u>	<u>982,427,599</u>	429,635,352	890,741,590
OTHER OPERATING INCOME (EXPENSES)					
Operating Income	21	27,866,452	40,825,924	24,987,202	37,112,276
General and administrative		(83,448,679)	(198,214,950)	(79,564,668)	(180,499,021)
Selling		(37,223,751)	(68,263,575)	(24,420,013)	(40,648,435)
		<u>(92,805,978)</u>	<u>(225,652,601)</u>	<u>(78,997,479)</u>	<u>(184,035,180)</u>
OPERATING PROFIT		<u>414,517,947</u>	<u>756,774,998</u>	350,637,873	706,706,410
OTHER INCOME (CHARGES)					
Finance costs	16, 20	(20,995,215)	(41,330,349)	(14,913,585)	(31,372,164)
Finance income	7, 9, 20	73,443,042	145,365,109	2,491,494	6,055,128
Share in net losses of associates and joint ventures		2,520,602	6,803,169	2,030,739	1,946,682
Other income	20	300,000,000	600,000,000	300,000,000	600,000,000
		<u>354,968,429</u>	<u>710,837,929</u>	289,608,648	576,629,646
PROFIT BEFORE TAX		769,486,376	1,467,612,927	640,246,521	1,283,336,056
TAX EXPENSE		<u>149,857,613</u>	<u>336,784,050</u>	145,306,686	319,955,731
NET PROFIT		<u>P 619,628,763</u>	<u>P 1,130,828,877</u>	P 494,939,835	P 963,380,325
Net profit attributable to:					
Equity holders of the parent company		P 615,105,205	P 1,122,199,226	P 491,791,946	P 958,039,177
Noncontrolling interest		4,523,558	8,629,651	3,147,889	5,341,148
		<u>P 619,628,763</u>	<u>P 1,130,828,877</u>	P 494,939,835	P 963,380,325
Earnings Per Share - Basic and Diluted	23	<u>P 0.18</u>	<u>P 0.33</u>	P 0.16	P 0.31

See Notes to Condensed Consolidated Interim Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018
(Amounts in Philippine Pesos)
(UNAUDITED)

Note	Attributable to Owners of the Parent Company							Noncontrolling Interest	Total Equity
	Capital Stock	Additional Paid-in Capital	Revaluation Reserves - Net	Other Reserves	Retained Earnings		Total		
					Unappropriated	Appropriated			
Balance at January 1, 2019	P 3,395,864,100	P 6,964,649,807	(P 28,524,335)	(P 275,974,845)	P 6,941,450,177	P 1,200,000,000	P 18,197,464,904	P 668,513,475	P 18,865,978,379
Subscription during the period							-		-
Issuances during the period					(119,999,650)	-	(119,999,650)	-	(119,999,650)
Total comprehensive income for the period					1,122,199,226	-	1,122,199,226	8,629,651	1,130,828,877
Balance at June 30, 2019	P 3,395,864,100	P 6,964,649,807	(P 28,524,335)	(P 275,974,845)	P 7,943,649,753	P 1,200,000,000	P 19,199,664,480	P 677,143,126	P 19,876,807,606
Balance at January 1, 2018	P 2,716,691,200	0	(P 10,935,176)	(P 275,974,845)	P 5,968,150,683	P 1,200,000,000	P 9,597,931,862	P 658,962,627	P 10,256,894,489
As previously reported									
Effects of restatements	-	-	-	-	(937,945,996)	-	(937,945,996)	-	(937,945,996)
As restated	P 2,716,691,200	-	(P 10,935,176)	(P 275,974,845)	P 5,030,204,687	P 1,200,000,000	P 8,659,985,866	P 658,962,627	P 9,318,948,493
Issuances during the year	683,110,100	6,954,544,570					7,637,654,670		P 7,637,654,670
Total comprehensive income for the year					958,039,177		958,039,177	5,341,148	963,380,325
Balance at June 30, 2018	P 3,399,801,300	P 6,954,544,570	(P 10,935,176)	(P 275,974,845)	P 5,988,243,864	P 1,200,000,000	P 17,255,679,713	P 664,303,775	P 17,919,983,488

See Notes to Condensed Consolidated Interim Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Amounts in Philippine Pesos)
(UNAUDITED)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 1,467,612,927	P 1,283,336,056
Adjustments for:			
Depreciation and amortization	13,14	81,481,497	73,762,637
Finance costs	20	41,240,424	30,404,652
Interest income	20	(146,044,229)	(2,692,122)
Share in net losses (earnings) of associates and joint ventures		(6,803,169)	(1,946,682)
Unrealized foreign currency loss - net		<u>679,120</u>	<u>(3,363,006)</u>
Operating profit before working capital changes		1,438,166,570	1,379,501,535
Increase in receivables		(347,191,787)	(434,265,484)
Increase in contract asset		(267,084,746)	(44,360,821)
Increase in land and land development costs		(30,830,847)	(35,539,077)
Increase in property development costs		(61,246,503)	(51,272,993)
Increase in other assets		(61,068,471)	(498,328,932)
Increase in trade and other payables		34,298,506	855,529,558
Increase in contract liability		370,701,850	41,632,035
Increase in deposits and advances		196,421,408	119,531,052
Decrease in retirement benefit obligation		(992,479)	(1,250,156)
Cash generated from operations		1,271,173,501	1,331,176,717
Cash paid for income taxes		(196,645,417)	(150,417,409)
Interest received		<u>146,044,229</u>	<u>2,692,122</u>
Net Cash From Operating Activities		<u>1,220,572,313</u>	<u>1,183,451,430</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in short-term placements	11	1,400,000,000	-
Construction in progress and development costs of investment properties	10, 14	(854,114,508)	(193,547,793)
Additional advances to related parties	22	-	(36,240,801)
Acquisitions of property and equipment	13	(20,892,372)	(20,951,971)
Net Cash From Investing Activities		<u>524,993,120</u>	<u>(250,740,565)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares of stock	25	-	7,637,654,670
Dividend paid	23	(119,999,650)	-
Repayments of interest-bearing loans and borrowings	16	(19,850,000)	(279,044,534)
Finance costs paid	20	(41,240,424)	(30,404,652)
Repayments of advances from related parties	22	(632,738)	(5,898,361)
Net Cash From (Used in) Financing Activities		<u>(181,722,812)</u>	<u>7,322,307,123</u>
Effect of Changes in Foreign Exchange Rate on Cash and Cash Equivalents	20	(679,120)	<u>3,363,006</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,563,163,501	8,258,380,994
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>7,549,219,648</u>	<u>1,444,538,812</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>P 9,112,383,149</u>	<u>P 9,702,919,806</u>

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
June 30, 2019 AND 2018
(UNAUDITED)
(With Comparative Audited Figures as of December 31, 2018)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

D.M. Wenceslao & Associates, Incorporated (DMWAI or the Parent Company) was incorporated in the Philippines on April 7, 1965. DMWAI is presently engaged in the trade and business of general builders and contractors and related activities such as acting as specialty construction contractors, supervisors or managers in all cases of constructions, erections and works both public and private, real estate business and leasing. On December 4, 2012, the Philippine Securities and Exchange Commission (SEC) approved the Parent Company's application for the extension of its corporate life.

On June 29, 2018, the Parent Company's shares of stock were listed at the Philippine Stock Exchange (PSE) (see Note 25).

DMWAI holds certain investments in entities that are either subsidiaries, associates or joint ventures and all are incorporated in the Philippines (see Notes 1.2 and 12).

DMWAI is a subsidiary of Wendel Holdings Co., Inc. (WHI or Ultimate Parent Company), a company incorporated and domiciled in the Philippines. WHI is presently engaged in raising investments either through borrowings, sale or lease of its capital assets. The effective percentage of ownership of WHI in DMWAI aggregates to 62.92% as of June 30, 2019 and December 31, 2018.

DMWAI's registered office, which is also its principal place of business, is located at 3rd Floor Aseana Powerstation Building, D. Macapagal Blvd. cor. Bradco Ave. Aseana City, Parañaque City. The registered office of WHI, which is also its principal place of business, is at 306 E. Rodriguez Sr. Boulevard, Quezon City.

1.2 Subsidiaries, Associates and Joint Ventures

As of June 30, 2019 and December 31, 2018, the Parent Company holds effective ownership interests in certain subsidiaries (together with the Parent Company, collectively hereinafter referred to as the “Group”), that are currently operating or are established to engage in businesses related to the main business of the Parent Company, in these condensed consolidated financial statements.

Name of Subsidiaries/Associates/Joint Ventures	Explanatory Notes	Effective Percentage of Ownership	
		June 30, 2019	December 31, 2018
Subsidiaries:			
<i>Direct:</i>			
Aseana Residential Holdings Corp. (ARHC),	(a)	100.00%	100.00%
Aseana Holdings, Inc. (AHI)	(b)	99.98%	99.98%
Fabricom, Inc. (FI),	(c)	99.98%	99.98%
Fabricom Realty Development Corporation (FRDC)	(d)	62.20%	62.20%
R-1 Consortium, Inc. (R-1)	(e)	55.45%	55.45%
<i>Direct and Indirect:</i>			
Portal Holdings, Inc. (PHI)	(f)	100.00%	100.00%
Mandaue Land Consortium, Inc. (MLCI)	(g)	81.00%	81.00%
Aseana I.T. Plaza, Inc. (AITPI)	(h)	66.97%	66.97%
SHLP BBP Realty, Inc. (SBRI)	(i)	55.96%	55.96%
<i>Indirect:</i>			
58 Jupiter, Inc., <i>formerly Reine, Inc – Accounted for as Asset Acquisition</i>	(j)	100.00%	100.00%
Boracay International Airport & Dev’t Corp. (BIADC)	(k)	99.98%	99.98%
U-City Technologies Philippines, Inc. (UCTPI)	(l)	99.98%	99.98%
Aseana City Transport & Travel Corp. (ACTTC)	(m)	99.98%	99.98%
Aseana Gas Energy Corp. (AGEC)	(n)	99.98%	99.98%
Aseana Real Estate Services Management Corp. (ARESM)	(o)	95.98%	95.98%
Bay Area Holdings, Inc. (BAHI)	(p)	59.98%	59.98%
Associates:			
Alphaland Heavy Equipment, Corp. (AHEC)	(q)	50.00%	50.00%
European Resources and Technology, Inc. (ERTI)	(r)	42.00%	42.00%
Aseana CL, Beach and Marina Development Corporation (ACBMDC)	(s)	36.00%	36.00%
Joint ventures:			
Bay Resources and Development Corporation (BRADCO)	(t)	50.00%	50.00%
Alphaland Bay City Corporation (ABCC)	(u)	34.73%	34.73%

Notes:

- (a) Established to purchase, acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of, subject to limitations imposed by law, real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.
- (b) Established to engage in the business of owning, holding, exchanging, or otherwise disposing such items as real and personal properties, and securities such as stocks, bonds and to take part and assist in any legal matter for the purchase and sale of any securities as may be allowed by law without acting as or engaging in the business of an investment house, mutual fund or broker or dealer in securities.
- (c) Established to engage in the business of importation and marketing of heavy equipment, industrial equipment or any commercial products, which may be the object of commerce for the attainment of corporate objectives.
- (d) Established to engage in housing and real estate development and selling and engaging in other related activities.
- (e) Established to engage in general construction and other allied businesses including constructing, enlarging, repairing, removing, developing, or otherwise engaging in any work upon building roads, highways, manufacturing plants, bridges, airfields, piers, docks, mines, masonry and earth construction, and to make, execute, bid for and take or receive any contracts or assignment of contracts in relation thereto.
- (f) DMWAI's effective interest is derived from its 40.00% direct ownership and 60.00% indirect holdings through ARHC. PHI was established to purchase, subscribe for, or otherwise acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.
- (g) DMWAI's effective interest is derived from its 40.00% direct ownership and 41.00% indirect holdings through AHI and R-1 which own 30.00% and 20.00%, respectively. MLCI was established to engage in general realty and other allied businesses including owning, improving, subdividing, developing, reclaiming, enlarging, repairing, constructing, exchanging, leasing and holding investment or otherwise, real estate and lands of all kinds and any buildings, houses and other structures.
- (h) DMWAI's effective ownership interest is derived from its 41.98% direct ownership and 24.99% indirect holdings through PHI. AITPI was established to engage in the business of owning, using, improving, developing, selling, exchanging, leasing, and holding for investment or otherwise, real estate of all kinds, including building houses, apartments and other structures, and related activities.
- (i) DMWAI's effective ownership is derived from its 29.98% direct ownership and 25.98% indirect holdings through AHI, BAHI and PHI which each owns 9.99% of SBRI. SBRI was established to engage in real estate development and engaging in other related activities.
- (j) Reine was acquired in 2017 and indirectly owned through AHI; established to acquire by purchase, lease, donation, or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop, and hold for investment or otherwise, real estate of all kinds, whether improve, manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind, together with their appurtenances.
- (k) Indirectly owned through AHI; established to build an international airport in Boracay, Municipality of Malay and/ or Carabao Island, San Jose, Romblon, Philippines.
- (l) Indirectly owned through AHI; established to install and provide electronic security apparatus and products to industrial, commercial and other establishments whether public or private for the purpose of securing or protecting properties and other related services.
- (m) Indirectly owned through AHI; established to engage in the business of transportation of passengers by means of public utility vehicles for the general public and to lease out or rent its public utility vehicles for special trips.
- (n) Indirectly owned through AHI; established to engage in, conduct and carry on the business of buying, selling, distributing, marketing of liquefied petroleum gas and other fuel products at wholesale or retail and to construct a reticulation network in strategically located tank to enable safe and sufficient distribution of piped gas to end users in Aseana Business Park.
- (o) Indirectly owned through AHI; established to acquire and manage properties such as commercial, residential, office condominium and industrial real estate.
- (p) Indirectly owned through FI; established to purchase, acquire, or otherwise own and hold, use, sell, assign, transfer, mortgage, pledge, or otherwise dispose of, real and personal property, including land, buildings, condominiums and engaging in other related activities.
- (q) Indirectly owned through FI; established to purchase, import, or otherwise acquire, lease, sell, distribute, market, convey or otherwise dispose heavy equipment, machinery and related implements. As of June 30, 2019, AHEC is currently in the process of liquidation.
- (r) Established to engage in collecting, segregating, recycling, composting, filling, disposing, treating or otherwise managing household, industrial and other kinds of garbage for local, or other government units and private persons and firms as well as extended guidance and education for proper waste management.
- (s) DMWAI's effective interest is derived from its 10.00% direct ownership and 26.00% indirect holdings through AHI. ACBMDC was established to engage in real estate business with marinas, cruise liner facilities and beach resorts in all its aspects; to acquire, rent or otherwise deal in and dispose of all kinds or real estate objects, involving commercial, industrial, urban, residential or other kinds of real property.
- (t) BRADCO was established to acquire, develop and market real estate properties.
- (u) ABCC was established to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures.

As of June 30, 2019, FRDC, R-1, MLCI, AITPI, SBRI, BIADC, AGECE, ACBMDC and ABCC have not yet started commercial operations.

1.3 Approval of Condensed Consolidated Interim Financial Statements

The condensed consolidated interim financial statements of the Group as of and for the six months ended June 30, 2019 (including the comparatives as of December 31, 2018 and for the six months ended June 30, 2019) were approved and authorized for issue by the Parent Company's Chief Executive Officer (CEO) on July 29, 2019.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1 Basis of Preparation of Interim Condensed Consolidated Interim Financial Statements

The condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. This condensed consolidated interim financial statements do not include all of the information required for annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group as of and for the year ended December 31, 2018, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

This condensed consolidated interim financial statements are presented in Philippine pesos, the Group's functional and presentation currency.

2.2 Adoption of New and Amended PFRS

The Group's accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements as of and for the year ended December 31, 2018 and the corresponding interim reporting period, except for the following amendments which the Company has adopted starting January 1, 2019. These new PFRSs and amendments did not have significant impact on the Group's condensed consolidated interim financial statements.

- (i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).
- (ii) PAS 28 (Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture.
- (iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the “solely payments of principal and interests” (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.
- (iv) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. 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 similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized 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.

The management plans to adopt the modified retrospective application of PFRS 16 where the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of Retained Earnings account at the date of initial application. The Group will elect to apply the standard to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. Management is currently assessing the financial impact of this new standard on the Group's consolidated financial statements but expects such not to have significant impact as the Group is the lessor for most of its operating leases.

- (v) 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.
- (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 or 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.
- (vii) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). 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 Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the 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 differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the Group's last annual consolidated financial statements as of and for the year ended December 31, 2018.

4. SEGMENT REPORTING

4.1 Business Segments

The Group's operating businesses are recognized and managed separately according to the nature of services provided (primary segments) and the different markets served (secondary segments) with a segment representing a strategic business unit. The Group's business segments follow:

- (a) *Construction* – principally refers to general construction business which involves site development, earthworks, structural and civil works, masonry works, architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.
- (b) *Sale of Land and Condominium Units* – involve the development and sale of industrial and other parcels of land and residential condominium units.
- (c) *Rentals* – refers to leasing of real estate properties, including land and building and other structures.

The Group has not identified any segment based on geographical location (see Note 4.4).

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, contract asset, land and land development cost, property development costs, property and equipment, and investment properties. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of loans and borrowings, trade and other payables, contract liability and deposits and advances. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information is analyzed as follows for the six months ended June 30, 2019 and 2018 (in thousands):

	<u>Rentals</u>		<u>Construction</u>		<u>Sale of Land and Condominium Units</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
REVENUES								
Sales to external customers	P 983,373	P 919,995	P 12,131	P 114,518	P 266,741	P 45,613	P 1,262,245	P 1,080,126
Intersegment sales	<u>93,480</u>	<u>90,646</u>	<u>239,253</u>	<u>303,422</u>	<u>-</u>	<u>-</u>	<u>332,733</u>	<u>394,068</u>
Total revenues	<u>1,076,853</u>	<u>1,010,641</u>	<u>251,384</u>	<u>417,940</u>	<u>266,741</u>	<u>45,613</u>	<u>1,594,978</u>	<u>1,474,194</u>
COSTS AND OTHER OPERATING EXPENSES								
Cost of sales and services excluding depreciation and amortization	73,968	48,962	6,199	60,940	144,948	26,887	225,115	136,789
Depreciation and amortization	54,703	49,182	-	3,413	-	-	54,703	52,595
Other expenses	<u>84,935</u>	<u>68,249</u>	<u>2,694</u>	<u>3,135</u>	<u>36,295</u>	<u>15,373</u>	<u>123,924</u>	<u>86,757</u>
	<u>213,606</u>	<u>166,393</u>	<u>8,893</u>	<u>67,488</u>	<u>181,243</u>	<u>42,260</u>	<u>403,742</u>	<u>276,141</u>
SEGMENT OPERATING PROFIT (LOSS)	<u>P 863,247</u>	<u>P 844,248</u>	<u>P 242,491</u>	<u>P 350,452</u>	<u>P 85,498</u>	<u>P 3,353</u>	<u>P 1,191,236</u>	<u>P 1,198,053</u>

Segment assets and liabilities are allocated to each segment as follows (in thousands):

	<u>Rentals</u>		<u>Construction</u>		<u>Sale of Land and Condominium Units</u>		<u>Total</u>	
	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Assets</u>	<u>Total Liabilities</u>
June 30, 2019	P 19,129,228	P 9,703,053	P 6,113,544	P 969,430	P 4,241,449	P 1,506,735	P 29,484,221	P 12,179,218
December 31, 2018	19,901,718	9,431,032	5,522,104	968,503	3,579,441	969,592	29,003,263	11,369,127

Currently, the Group's operation is concentrated in one location; hence, it has no geographical segment (see Note 4.1).

Rental revenues from a single lessee account for 30.13% and 35.13% of the consolidated revenues for the six months ended June 30, 2019 and 2018, respectively.

Rentals segment assets include certain real estate assets (i.e., parcels of land) held as investment properties for capital appreciation or future lease.

4.5 Reconciliations

The total segment balances presented for the Group's operating segments reconciled to the Group's consolidated balances as presented in the condensed interim consolidated financial statements are as follows (in thousands):

	June 30, 2019 <u>(Unaudited)</u>	June 30, 2018 <u>(Unaudited)</u>
Revenues		
Total segment revenues	P 1,594,978	P 1,474,194
Elimination of intersegment revenues	(332,733)	(394,068)
Revenues as reported in the condensed consolidated statements of comprehensive income	<u>P 1,262,245</u>	<u>P 1,080,126</u>
Profit or loss		
Segment operating profit	P 1,191,236	P 1,198,053
Elimination of intersegment revenues	(332,733)	(394,068)
Other unallocated expenses	(101,728)	(97,279)
Operating profit as reported in the condensed consolidated statements of comprehensive income	P 756,775	P 706,706
Finance costs	(41,330)	(31,372)
Finance income	145,365	6,055
Share in net income of associates and joint ventures	6,803	1,947
Other unallocated income	<u>600,000</u>	<u>600,000</u>
Profit before tax as reported in the condensed consolidated statements of comprehensive income	<u>P 1,467,613</u>	<u>P 1,283,336</u>

	June 30, 2019 <u>(Unaudited)</u>	December 31, 2018 <u>(Audited)</u>
Assets		
Segment assets	P 29,484,221	P 29,003,263
Deferred tax assets – net	120,460	47,942
Other unallocated assets**	7,125,773	6,781,660
Elimination of intercompany accounts	(5,138,306)	(6,044,149)
 Total assets reported in the condensed consolidated statements of financial position	 <u>P 31,592,148</u>	 <u>P 29,788,716</u>
Liabilities		
Segment liabilities	P 12,188,475	P 11,369,127
Deferred tax liabilities - net	815,979	720,977
Other unallocated liabilities**	1,292,768	1,260,317
Elimination of intercompany accounts	(2,581,882)	(2,427,684)
 Total liabilities as reported in the condensed consolidated statements of financial position	 <u>P 11,715,340</u>	 <u>P 10,922,737</u>

***Other unallocated assets and liabilities mostly pertain to intercompany advances to and/ or from related parties not eliminated in the consolidation.*

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to risk in relation to its operating, investing, and financial activities, and the business environment in which it operates. Generally, the Group's objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities and that it adheres strictly to the policies, procedures, and control systems which are established to address these risks. In managing financial instruments, the Group is exposed to financial risk such as market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), liquidity risk and credit risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; hence, they should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2018.

There have been no significant changes in the risk management structure of the Group or in any risk management policies since the previous annual period.

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

6.1 *Fair Value Hierarchy*

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

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

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

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

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

6.2 *Financial Instruments Measurement at Fair Value*

The Group's financial assets at fair value through other comprehensive income (FVOCI) include proprietary golf club shares, which are categorized within Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity security held in a private company is included in Level 3 since its market value is not quoted in an active market, hence, measured using the market approach by reference to the fair value of a comparable instrument adjusted for inputs (i.e., financial forecast of cash flows or profit or loss) internally developed by management to consider the differences in corporate profile and historical performance of the entity. As of June 30, 2019 and December 31, 2018, the Group's financial assets measured at FVOCI amounted to P117.3 million and P74.8 million, respectively (see Note 15).

The Group has no financial liabilities measured at fair value as of June 30, 2019 and December 31, 2018.

There were neither transfers between Levels 1, 2 and 3 instruments in both periods.

6.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the condensed consolidated statements of financial position but for which fair value is required to be disclosed.

	June 30, 2019 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	P 9,112,383,149	P -	P -	P 9,112,383,149
Receivables – net	-	-	5,021,750,062	5,021,750,062
Contract asset			433,737,083	433,737,083
Refundable deposits <i>(presented as part of Other Non-current Assets)</i>	-	-	34,851,402	34,851,402
	<u>P 9,112,383,149</u>	<u>P -</u>	<u>P 5,490,338,547</u>	<u>P 14,602,721,696</u>
Financial Liabilities				
Loans and borrowings	P -	P -	P 1,863,454,474	P 1,863,454,474
Trade and other payables	-	-	745,778,138	745,778,138
Advances from and due to related parties	-	-	4,610,542,076	4,610,542,076
Advances from a co-joint venturer	-	-	1,000,000,000	1,000,000,000
Rental deposits	-	-	233,143,611	233,143,611
Construction bond	-	-	48,749,398	48,749,398
	<u>P -</u>	<u>P -</u>	<u>P 8,501,667,697</u>	<u>P 8,501,667,697</u>
December 31, 2018 (Audited)				
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	P 7,549,219,648	P -	P -	P 7,549,219,648
Short-term placement <i>(presented as part of Other Current Assets)</i>	1,400,000,000	-	-	1,400,000,000
Receivables – net	-	-	4,665,569,544	4,665,569,544
Contract asset			166,652,337	166,652,337
Refundable deposits <i>(presented as part of Other Non-current Assets)</i>	-	-	52,254,083	52,254,083
	<u>P 8,949,219,648</u>	<u>P -</u>	<u>P 4,884,475,964</u>	<u>P 13,833,695,612</u>
Financial Liabilities				
Loans and borrowings	P -	P -	P 1,896,659,323	P 1,896,659,323
Trade and other payables	-	-	728,148,226	728,148,226
Advances from and due to related parties	-	-	4,611,174,814	4,611,174,814
Advances from a co-joint venturer	-	-	1,000,000,000	1,000,000,000
Rental deposits	-	-	236,989,971	236,989,971
Construction bond	-	-	47,566,440	47,566,440
	<u>P -</u>	<u>P -</u>	<u>P 8,520,538,774</u>	<u>P 8,520,538,774</u>

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

6.4 Fair Value Disclosures for Investment Properties Carried at Cost

The table below shows the levels within the hierarchy of non-financial assets that are not measured at fair value but for which fair values are disclosed as of June 30, 2019 and December 31, 2018.

	Note	Level 1	Level 2	Level 3	Total
December 31, 2018					
Land	P	-	P 96,656,221,177	P -	P 96,656,221,177
Buildings and improvements		-	-	4,332,113,063	4,332,113,063
Construction in progress		-	-	40,754,389	40,754,389
	15	<u>P -</u>	<u>P 96,656,221,177</u>	<u>P 4,372,867,452</u>	<u>P101,029,088,629</u>

The above fair value information is determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment properties is their current use.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Short-term placements	P 5,629,531,865	P 4,238,295,198
Cash on hand and in banks	<u>3,482,851,284</u>	<u>3,310,924,450</u>
	<u>P 9,112,383,149</u>	<u>P 7,549,219,648</u>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods of between 30 to 90 days and earn effective interest ranging from 4.68% to 5.40% during the six months ended June 30, 2019 and 0.75% to 0.88% during the six months ended June 30, 2018 (see Note 20.2). Interest income from cash in banks and short-term placements amounting to P146.0 million and P2.7 million in 2019 and 2018 respectively, are included as part of Finance Income in the consolidated statements of profit or loss (see Note 20.2).

8. RECEIVABLES

This account is composed of the following:

<u>Note</u>	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Current:		
	P 619,219,326	P 698,167,326
	Rental receivables	
	Advances to:	
	795,685,812	788,322,686
22.1	Related parties	
	136,785,896	145,774,627
	Suppliers	
	9,330,740	9,016,070
	Officers and employees	
	663,349,095	665,049,553
	Contracts receivables	
	9,403,444	9,826,332
	Retention receivables	
	74,322,429	60,618,706
	Others	
	2,308,096,742	2,376,775,300
	Allowance for impairment	
	(56,600,662)	(54,257,406)
	2,251,496,080	2,322,517,894
	Non-current:	
	2,907,039,878	2,488,826,277
	Rental receivables	
	P 5,158,535,958	P 4,811,344,171

Receivables that are past due but not impaired as at the end of the three months reporting period are shown below:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Not more than three months	P 89,777,756	P 34,804,858
More than three months but not more than one year	39,441,118	66,918,114
More than one year	640,734,301	644,122,271
	P 769,953,175	P 745,845,343

9. PROPERTY DEVELOPMENT COSTS AND REAL ESTATE TRANSACTIONS

The Group capitalized certain costs as property development costs representing properties under development and construction. Costs incurred comprise of actual costs of construction and related engineering, architectural and other consultancy fees related to the development of its residential condominium projects, “Pixel Residences” and “MidPark Towers”, both located in Aseana City, 1702 Parañaque City, Metro Manila.

The accumulated balance of Property Development Costs as presented in the condensed consolidated statements of financial position amounted to as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
MidPark Residences	P 490,295,904	P 457,677,960
Pixel Residences	<u>282,361,773</u>	<u>253,733,214</u>
	<u>P 772,657,677</u>	<u>P 711,411,174</u>

Cost of condominium units sold amounted to P144.9 million and P26.8 million for the six months ended June 30, 2019 and 2018, respectively (see Note 21).

Percentage of completion of Pixel Residences as at June 30, 2019 and 2018 is 56.69% and 24.71%, respectively. Percentage of completion of MidPark Residences as at June 30, 2019 and 2018 is 11.91% and nil, respectively.

10. LAND AND LAND DEVELOPMENT COSTS

This account pertains to the cost of land available for sale located in Aseana Business Park, Parañaque City; Ciudad Nuevo Park, Cavite City; and Lunuzuran Heights Subdivision, Zamboanga City with a total lot area of 247,851 square meters as of June 30, 2019 and December 31, 2018.

The analysis of the movements of the balance of Land and Land Development Costs is as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of period	P 2,162,209,345	P 1,954,437,686
Additions during the year	30,830,847	207,811,737
Sales during the period	<u>-</u>	(40,078)
Balance at end of period	<u>P 2,193,040,192</u>	<u>P 2,162,209,345</u>

Management has estimated that the net realizable value of Land and Land Development Costs is higher than its carrying value as of June 30, 2019. As of June 30, 2019 and December 31, 2018, certain portion of the parcels of land owned by the Group with a total lot area of 2,777 and carrying amounts of P44.2 million, is used as collateral to secure certain peso denominated interest-bearing loans (see Note 16). The loans do not contain any restriction on the sale of the land except that the mortgage is annotated in the titles of the said properties.

11. OTHER CURRENT ASSETS

This account consists of the following:

	June 30, 2019 <u>(Unaudited)</u>	December 31, 2018 <u>(Audited)</u>
Deferred input VAT	P 209,962,149	P 157,544,447
Input VAT	189,129,125	134,853,815
Prepayments	90,591,322	106,465,149
Contract acquisition costs	39,374,174	49,255,546
Creditable withholding tax	11,180,193	6,292,333
Short-term placement	<u>-</u>	<u>1,400,000,000</u>
	<u>P 540,236,963</u>	<u>P 1,854,411,290</u>

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

This account consists of the following:

	<u>Notes</u>	June 30, 2019 <u>(Unaudited)</u>	December 31, 2018 <u>(Audited)</u>
Investments in:			
Associates	12.1	P 49,084,809	P 49,168,560
Joint ventures	12.2	<u>13,552,825</u>	<u>6,665,905</u>
		<u>62,637,634</u>	<u>P 55,834,465</u>

12.1 Investments in Associates

The movements in the carrying amount of investments in associates, which is accounted for under the equity method in the condensed consolidated financial statements of the Group, are shown below.

	June 30, 2019 <u>(Unaudited)</u>	December 31, 2018 <u>(Audited)</u>
Acquisition costs	<u>P 56,913,213</u>	<u>P 56,913,213</u>
Accumulated share in net losses:		
Balance at beginning of period	(7,744,653)	(7,386,626)
Share in net losses	<u>(83,751)</u>	<u>(358,027)</u>
Balance at end of period	<u>(7,828,404)</u>	<u>(7,744,653)</u>
	<u>P 49,084,809</u>	<u>P 49,168,560</u>

12.2 Investments in Joint Ventures

The Group's joint ventures include ABCC and BRADCO. The movements in the carrying amount of investments in joint ventures, which is accounted for under the equity method in the condensed consolidated financial statements of the Group, are shown below.

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Acquisition costs	P 2,000,000	P 165,303,749
Reclassification to investment properties	<u>-</u>	(163,303,749)
	<u>2,000,000</u>	<u>2,000,000</u>
Accumulated share in net losses:		
Balance at beginning of period	4,665,905	(38,240,796)
Reclassification to investment properties	-	36,240,796
Share in net gains (losses)	<u>6,886,920</u>	<u>6,665,905</u>
Balance at end of period	<u>11,551,825</u>	<u>4,665,905</u>
	<u>P 13,551,825</u>	<u>P 6,665,905</u>

In 2018, the Group, along with the Ultimate Parent Company and ABCC, entered into a Settlement Agreement with Alphaland Development, Inc. (ADI) regarding their joint venture agreements (the JV Agreements), and all disputes related thereto, in relation to the development of the Alphaland Bay City project located in Aseana City, Paranaque City. Under the Settlement Agreement (SA), the parties have agreed to terminate, rescind or otherwise cancel the JV Agreements, and waive and release any and all rights or interests they, or may have arising therefrom subject to certain conditions (see also Note 20.4).

Accordingly, the carrying amount after reflecting the effect of the restatements to the Group's investment in ABCC, which is lower than its fair value less cost to terminate, contributed by the Parent Company under the JV Agreement was reclassified from Investments in joint venture under the Investments in Associates and Joint Ventures account as of December 31, 2017 to Investment in Joint Venture Held for Termination account in the 2018 consolidated statement of financial position. The Group intends to recover such investment in joint venture held for termination through the receipt of the previously contributed investment property within one year from the end of the reporting period, subject to the fulfillment of the conditions as set forth in the SA.

13. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation and amortization of property and equipment at the beginning and end of the six months ended June 30, 2019 and the year ended December 31, 2018 are shown below.

	<u>Land</u>	<u>Land Improvements</u>	<u>Leasehold Improvements</u>	<u>Machinery and Construction Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Office Equipment</u>	<u>Machinery and Other Equipment</u>	<u>Total</u>
June 30, 2019								
Cost	P 9,291,800	P 4,034,354	P 36,447,238	P 456,987,645	P 44,372,629	P 39,564,024	P 14,282,273	P 604,979,963
Accumulated depreciation and amortization	<u>-</u>	<u>(2,773,938)</u>	<u>(23,293,478)</u>	<u>(369,850,974)</u>	<u>(36,193,192)</u>	<u>(32,472,342)</u>	<u>(14,014,846)</u>	<u>(478,598,770)</u>
Net carrying amount	<u>P 9,291,800</u>	<u>P 1,260,416</u>	<u>P 13,153,760</u>	<u>P 87,136,671</u>	<u>P 8,179,437</u>	<u>P 7,091,682</u>	<u>P 267,427</u>	<u>P 126,381,193</u>
December 31, 2018								
Cost	P 9,291,800	P 4,034,354	P 36,447,238	P 437,985,422	P 44,372,629	P 37,711,745	P 14,244,402	P 584,087,590
Accumulated depreciation and amortization	<u>-</u>	<u>(2,641,557)</u>	<u>(20,668,782)</u>	<u>(351,706,232)</u>	<u>(34,804,802)</u>	<u>(29,736,852)</u>	<u>(13,871,780)</u>	<u>(453,430,005)</u>
Net carrying amount	<u>P 9,291,800</u>	<u>P 1,392,797</u>	<u>P 15,778,456</u>	<u>P 86,279,190</u>	<u>P 9,567,827</u>	<u>P 7,974,893</u>	<u>P 372,622</u>	<u>P 130,657,585</u>
January 1, 2018								
Cost	P 9,291,800	P 4,034,354	P 36,307,260	P 416,235,610	P 39,264,635	P 34,860,606	P 14,244,402	P 554,238,667
Accumulated depreciation and amortization	<u>-</u>	<u>(2,376,794)</u>	<u>(14,376,605)</u>	<u>(318,110,172)</u>	<u>(36,414,616)</u>	<u>(25,469,013)</u>	<u>(13,552,911)</u>	<u>(410,300,111)</u>
Net carrying amount	<u>P 9,291,800</u>	<u>P 1,657,560</u>	<u>P 21,930,655</u>	<u>P 98,125,438</u>	<u>P 2,850,019</u>	<u>P 9,391,593</u>	<u>P 691,491</u>	<u>P 143,938,556</u>

A reconciliation of the carrying amounts at the beginning and end of the six months ended June 30, 2019 and the year ended December 31, 2018 of property and equipment is shown below.

	<u>Land</u>	<u>Land Improvements</u>	<u>Leasehold Improvements</u>	<u>Machinery and Construction Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Office Equipment</u>	<u>Machinery and Other Equipment</u>	<u>Total</u>
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 9,291,800	P 1,392,797	P 15,778,456	P 86,279,190	P 9,567,827	P 7,974,893	P 372,622	P 130,657,585
Additions	-	-	-	19,002,223	-	1,852,279	37,871	20,892,373
Depreciation and amortization charges for the period	-	(132,381)	(2,624,696)	(18,144,742)	(1,388,390)	(2,735,490)	(143,066)	(25,168,765)
Balance at June 30, 2019, net of accumulated depreciation and amortization	<u>P 9,291,800</u>	<u>P 1,260,416</u>	<u>P 13,153,760</u>	<u>P 87,136,671</u>	<u>P 8,179,437</u>	<u>P 7,091,682</u>	<u>P 267,427</u>	<u>P 126,381,193</u>
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 9,291,800	P 1,657,560	P 21,930,655	P 98,125,438	P 2,850,019	P 9,391,593	P 691,491	P 143,938,556
Additions	-	-	139,978	21,749,812	5,107,994	2,851,139	-	29,848,923
Depreciation and amortization charges for the year	-	(264,763)	(6,292,177)	(33,596,060)	(1,609,814)	(4,267,839)	(318,869)	(43,129,894)
Balance at December 31, 2018, net of accumulated depreciation and amortization	<u>P 9,291,800</u>	<u>P 1,392,797</u>	<u>P 15,778,456</u>	<u>P 86,279,190</u>	<u>P 9,567,827</u>	<u>P 7,974,893</u>	<u>P 372,622</u>	<u>P 130,657,585</u>

The amount of depreciation and amortization is allocated as follows:

	Notes	June 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Capitalized as part of land and land development costs		P 18,660,713	P 14,588,572
Cost of construction contracts		-	14,464,456
General and administrative expense	21	<u>6,508,052</u>	<u>14,076,866</u>
		<u>P 25,168,765</u>	<u>P 43,129,894</u>

14. INVESTMENT PROPERTIES

The gross carrying amounts and the accumulated depreciation of investment properties at the beginning and end of the six months ended June 30, 2019 and the year ended December 31, 2018 are shown below.

	<u>Land</u>	<u>Building and Improvements</u>	<u>Condominium Units</u>	<u>Construction in Progress</u>	<u>Total</u>
June 30, 2019					
Cost	P 8,840,076,729	P 3,007,572,575	P 25,228,650	P 878,470,933	P 12,751,348,887
Accumulated depreciation	-	(501,152,571)	(4,012,011)	-	(505,164,582)
Net carrying amount	<u>P 8,840,076,729</u>	<u>P 2,506,420,004</u>	<u>P 21,216,639</u>	<u>P 878,470,933</u>	<u>P 12,246,184,305</u>
December 31, 2018					
Cost	P 8,720,243,460	P 2,989,677,001	P 25,228,650	P 162,085,268	P 11,897,234,379
Accumulated depreciation	-	(445,344,411)	(3,507,438)	-	(448,851,849)
Net carrying amount	<u>P 8,720,243,460</u>	<u>P 2,544,332,590</u>	<u>P 21,721,212</u>	<u>P 162,085,268</u>	<u>P 11,448,382,530</u>
January 1, 2018					
Cost	P 8,720,243,460	P 1,759,236,249	P 25,228,650	P 946,745,476	P 11,451,453,835
Accumulated depreciation	-	(340,267,692)	(2,498,292)	-	(342,765,984)
Net carrying amount	<u>P 8,720,243,460</u>	<u>P 1,418,968,557</u>	<u>P 22,730,358</u>	<u>P 946,745,476</u>	<u>P 11,108,687,851</u>

The reconciliation of the carrying amounts of investment properties at the beginning and end of the six months ended June 30, 2019 and the year ended December 31, 2018 is shown below.

	<u>Land</u>	<u>Building and Improvements</u>	<u>Condominium Units</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2019, net of accumulated depreciation	P 8,720,243,460	P 2,544,332,590	P 21,721,212	P 162,085,268	P 11,448,382,530
Additions	119,833,269	3,008,035	-	731,273,204	854,114,508
Reclassification from CIP to building and improvements	-	14,887,539	-	(14,887,539)	-
Depreciation charges for the period	-	(55,808,160)	(504,573)	-	(56,312,733)
Balance at June 30, 2019, net of accumulated depreciation	<u>P 8,840,076,729</u>	<u>P 2,506,420,004</u>	<u>P 21,216,639</u>	<u>P 878,470,933</u>	<u>P 12,246,184,305</u>

	<u>Land</u>	<u>Building and Improvements</u>	<u>Condominium Units</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2018, net of accumulated depreciation	P 8,720,243,460	P 1,418,968,557	P 22,730,358	P 946,745,476	P 11,108,687,851
Additions	-	-	-	445,780,544	445,780,544
Reclassification from CIP to building and improvements	-	1,230,440,752	-	(1,230,440,752)	-
Depreciation charges for the year	-	(105,076,719)	(1,009,146)	-	(106,085,865)
Balance at December 31, 2018, net of accumulated depreciation	<u>P 8,720,243,460</u>	<u>P 2,544,332,590</u>	<u>P 21,721,212</u>	<u>P 162,085,268</u>	<u>P 11,448,382,530</u>

The amount of depreciation is allocated as follows:

	<u>Notes</u>	<u>June 30, 2019 (Unaudited)</u>	<u>December 31, 2018 (Audited)</u>
Cost of rentals	19.2	P 54,702,810	P 103,185,483
General and administrative expense	21	<u>1,609,923</u>	<u>2,900,382</u>
		<u>P 56,312,733</u>	<u>P 106,085,865</u>

Land and building rental revenues recognized from investment properties amounted to P889.9 million and P834.1 million for the six months ended June 30, 2019 and 2018, respectively, and are shown as Rentals under Revenues account in the condensed consolidated statements of comprehensive income. Costs incurred related to investment properties, including the depreciation, are presented as Rentals under Costs of Services and Sales account in the condensed consolidated statements of comprehensive income (see Note 19.2).

Management believes that the carrying amounts of investment properties are recoverable in full; hence, no impairment loss is recognized in 2019 and 2018.

Certain investment properties with carrying amount of P301.5 million as of June 30, 2019 and December 31, 2018, are used as collateral for certain loans with local banks (see Note 16).

15. OTHER NON-CURRENT ASSETS

This account includes the following:

	<u>June 30, 2019 (Unaudited)</u>	<u>December 31, 2018 (Audited)</u>
Advances to suppliers	P 381,191,435	P 436,224,883
Financial assets at FVTOCI	117,255,905	74,755,905
Project advances	102,667,453	97,185,923
Deposits for future investment	54,026,935	54,026,935
Refundable deposits	34,851,402	52,254,083
Contract acquisition costs	5,503,473	5,503,473
Others	<u>3,334,561</u>	<u>3,637,164</u>
	<u>P 698,831,164</u>	<u>P 723,588,366</u>

The reconciliation of the carrying amounts of financial assets at FVTOCI is as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of period	P 74,755,905	P 74,536,260
Unrealized fair value gain	-	219,645
Additions	<u>42,500,000</u>	<u>-</u>
Balance at end of period	<u>P 117,255,905</u>	<u>P 74,755,905</u>

Financial assets at FVOCI consist of investment in golf club shares and certain unquoted equity securities. The Group used Level 2 and 3 in determining the fair value of financial assets at FVOCI.

16. LOANS AND BORROWINGS

The Group's short-term and long-term loans and borrowings are classified in the condensed consolidated statements of financial position as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Current	P 1,434,820,000	P 1,417,170,000
Non-current	<u>474,250,000</u>	<u>511,750,000</u>
	<u>P 1,909,070,000</u>	<u>P 1,928,920,000</u>

Bank loans represent partially secured and unsecured loans from local commercial banks. These loans bear annual interest rates ranging from 3.60% to 6.25% per annum in 2019 and 3.00% to 5.75% per annum in 2018 and are subject to monthly repricing based on prevailing market rate.

In 2019 and 2018, interest costs related to bank loans amounted to P41.2 million and P30.4 million, respectively, and were recognized as part of Finance costs under Other Income (Charges) account in the condensed consolidated statements of comprehensive income (see Note 20.1).

As of June 30, 2019 and December 31, 2018, bank loans are partially secured by certain assets as follows:

	Notes	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Investment properties	14	P 301,525,742	P 301,525,742
Land and land development costs	10	<u>44,230,441</u>	<u>44,230,441</u>
		<u>P 345,756,183</u>	<u>P 345,756,183</u>

17. TRADE AND OTHER PAYABLES

This account consists of the following:

	June 30, 2019 <u>(Unaudited)</u>	December 31, 2018 <u>(Audited)</u>
Deferred output VAT payable	P 359,126,654	P 280,364,702
Accrued expenses	295,821,650	216,842,603
Trade payables	290,371,444	370,014,513
Income tax payable	145,661,680	111,190,439
Retention payable	139,494,951	121,189,596
Other payables	<u>20,090,093</u>	<u>25,549,317</u>
	<u>P 1,250,566,472</u>	<u>P 1,125,151,170</u>

18. DEPOSITS AND ADVANCES

This account consists of:

	June 30, 2019 <u>(Unaudited)</u>	December 31, 2018 <u>(Audited)</u>
Current:		
Reservation deposits	P 470,124,654	P 294,014,598
Advance rentals	273,964,382	381,340,153
Unearned rent income	91,137,816	9,625,087
Construction bond	48,749,398	47,566,440
Rental deposits	44,786,401	54,400,070
Buyers' deposits	1,009,196	1,009,196
Others	<u>3,196,114</u>	<u>5,596,053</u>
	<u>932,967,961</u>	<u>793,551,597</u>
Non-current:		
Advance rentals	234,577,206	234,512,765
Rental deposits	188,357,210	182,589,901
Unearned rent income	67,617,063	67,617,063
Retention payable	65,484,704	14,280,510
Buyers' deposits	5,827,833	5,827,833
Others	<u>-</u>	<u>30,900</u>
	<u>561,864,016</u>	<u>504,858,972</u>
	<u>P 1,494,831,977</u>	<u>P 1,298,410,569</u>

19. COSTS OF SERVICES

19.1 Cost of Construction Contracts

The details of cost of construction contracts are shown below.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Subcontract		P 6,096,300	P 24,703,522
Salaries and employee benefits		89,042	1,201,341
Construction materials		7,840	33,932,293
Gasoline and oil		5,606	1,103,228
Depreciation and amortization	13	<u>-</u>	<u>3,413,243</u>
	21	<u>P 6,198,788</u>	<u>P 64,353,627</u>

19.2 Cost of Rentals

The following are the details of direct costs and expenses of rentals, including common usage and service area charges:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Depreciation		P 54,702,810	P 49,182,402
Outside services		16,472,606	9,049,820
Repairs and maintenance		15,328,516	9,259,960
Utilities		13,136,220	6,592,520
Real property tax		12,257,640	13,241,785
Office supplies		6,208,712	3,091,762
Professional fees		4,835,732	3,693,357
Others		<u>5,728,778</u>	<u>4,032,453</u>
	21	<u>P 128,671,014</u>	<u>P 98,144,059</u>

20. OTHER OPERATING AND NON-OPERATING INCOME (CHARGES)

20.1 Finance Costs

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Interest expense on:			
Bank loans	16	P 41,240,424	P 30,404,652
Others		<u>89,925</u>	<u>967,512</u>
		<u>P 41,330,349</u>	<u>P 31,372,164</u>

20.2 Finance Income

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Interest income	7	146,044,229	2,692,122
Foreign currency gains - net		<u>(679,120)</u>	<u>3,363,006</u>
		<u>P 145,365,109</u>	<u>P 6,055,128</u>

20.3 Other Operating Income

	<u>2019</u>	<u>2018</u>
Income from rendering of administrative and other services	P 20,707,470	P 19,514,187
Others	<u>20,118,454</u>	<u>17,598,089</u>
	<u>P 40,825,924</u>	<u>P 37,112,276</u>

20.4 Other Income

In January 2018, prior to the termination of the JV Agreements discussed in Note 12.2, the Parent Company, together with the Ultimate Parent Company entered into a Memorandum of Agreement with a third party whereby the Parent Company and the Ultimate Parent Company transfer their rights provided for under the JV Agreements, including giving their consent in favor of the third party to be able to buy from ADI certain parcels of land contributed to the joint arrangement. Subject to certain terms and conditions governing the transfer of such rights to the third party, the Parent Company is entitled to consideration totaling P2,050.0 million over two years, of which a non-refundable portion amounting to P600.0 million was received by the Parent Company during the six months ended June 30, 2019, and June 30, 2018.

21. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Cost of sale of condominium units	9	P 144,947,932	P 26,846,886
Taxes and licenses		70,060,823	60,183,813
Commission		64,205,486	36,086,151
Depreciation and amortization	13,14	62,820,784	60,871,690
Salaries and employee benefits		55,808,605	52,455,949
Outside services		19,479,042	9,798,260
Utilities		18,627,928	10,928,015
Association dues		17,563,216	13,278,686
Repairs and maintenance		17,054,470	11,312,420
Representation and entertainment		14,588,718	10,962,186
Professional fees		13,043,085	17,750,191
Office supplies		9,898,225	6,272,809
Subcontract		6,096,300	33,932,293
Transportation and travel		5,290,012	5,410,254
Corporate affairs		1,128,973	2,425,088
Bond and insurance		858,954	1,401,197
Construction materials and spare parts		7,840	24,703,522
Cost of sale of land	10	-	40,079
Others		24,815,866	25,872,618
		<u>P 546,296,259</u>	<u>P 410,532,107</u>

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

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Cost of rentals	19.2	P 128,671,014	P 98,144,059
Cost of sale of condominium units		144,947,932	26,846,886
Cost of construction contracts	19.1	6,198,788	64,353,627
Cost of sale of land		-	40,079
General and administrative expenses		198,214,950	180,499,021
Selling expenses		68,263,575	40,648,435
		<u>P 546,296,259</u>	<u>P 410,532,107</u>

The details of general and administrative expenses are shown below.

	Notes	2019	2018
Taxes and licenses		P 57,803,183	P 46,942,028
Salaries and employee benefits		55,719,563	51,254,608
Association dues		17,563,216	13,278,686
Representation and entertainment		14,588,718	10,962,186
Professional fees		8,207,353	13,717,738
Depreciation and amortization	13, 14	8,117,974	8,276,045
Utilities		5,486,102	3,232,267
Transportation and travel		5,290,012	5,410,254
Office supplies		3,689,513	3,181,047
Outside services		3,006,436	748,440
Repairs and maintenance		1,725,954	2,052,460
Corporate affairs		1,128,973	2,425,088
Bond and insurance		858,954	1,401,197
Others		15,028,999	17,616,977
		<u>P 198,214,950</u>	<u>P 180,499,021</u>

22. RELATED PARTY TRANSACTIONS

The Group's related parties include its Ultimate Parent Company, associates, joint ventures, related parties under common ownership and management, stockholders and key management personnel as described below.

The summary of the Group's significant transactions in 2019 and 2018 with its related parties and the outstanding balances as of June 30, 2019 and December 31, 2018 are presented below.

Related Party Category	Note	Outstanding Balances		Amount of Transactions	
		June 30, 2019 (Unaudited)	December 31, 2018 (Audited)	2019	2018
Ultimate parent company:					
Cash advances granted	22.1	P 434,261,099	P 430,355,411	P 3,905,688	P 29,930,357
Advances from purchase of land		(4,604,167,018)	(4,604,167,018)	-	40,000,000
Purchase of parcels of land		83,542,000	262,230,400	(178,688,400)	-
Associates:					
Cash advances granted	22.1	7,308,364	7,150,430	157,934	367,850
Rentals		-	-	-	55,405
Joint ventures:					
Cash advances granted	22.1	97,068,750	96,067,379	1,001,371	563,814
Construction contracts		24,069,315	28,912,993	(4,843,678)	-
Related parties under common ownership and management:					
Cash advances granted (collected)	22.1	177,578,464	179,755,559	(2,177,095)	7,484,049
Cash advances paid (obtained)	22.2	(6,375,058)	(7,007,796)	632,738	(6,578,958)
Association dues		4,909,822	32,508,043	16,309,349	13,496,600
Contracts of services		-	-	13,728,300	13,817,540
Other income		-	-	7,200,000	7,200,000
Rentals		-	-	58,175	69,256
Stockholders:					
Cash advances granted (collected)	22.1	79,469,135	74,993,907	4,475,228	22,893,817
Cash advances paid (obtained)	22.2	-	-	-	11,461,396
Key management personnel –					
Compensation		-	-	27,313,398	24,277,457
Retirement Fund		42,644,803	42,644,803	-	42,644,803

22.1 Advances to Related Parties

In the normal course of business, the Group grants unsecured and noninterest-bearing cash advances to related parties for working capital requirements and other purposes. The advances have no fixed repayment terms and collectible upon demand.

Certain advances to related parties are secured by an undertaking of another related party to pay in case of default. These advances are presented as Advances to related parties under Receivables account in the condensed consolidated statements of financial position (see Note 8).

	June 30, 2019 <u>(Unaudited)</u>	December 31, 2018 <u>(Audited)</u>
Ultimate parent company	P 434,261,099	P 430,355,411
Related parties under common ownership and management	177,578,464	179,755,559
Joint ventures	97,068,750	96,067,379
Stockholders	79,469,135	74,993,907
Associates	<u>7,308,364</u>	<u>7,150,430</u>
	<u>P 795,685,812</u>	<u>P 788,322,686</u>

22.2 Advances from Related Parties and Due to Ultimate Parent Company

The Group has outstanding amount due to the Ultimate Parent Company representing a payable for certain land acquired in prior years. The Group also obtains cash advances from other related parties to assist its daily operational and other requirements.

Advances from and due to related parties, which is presented as current liabilities

	June 30, 2019 <u>(Unaudited)</u>	December 31, 2018 <u>(Audited)</u>
Ultimate parent company	P 4,604,167,018	P 4,604,167,018
Related party under common ownership and management	<u>6,375,058</u>	<u>7,007,796</u>
	<u>P 4,610,542,076</u>	<u>P 4,611,174,814</u>

23. CASH DIVIDENDS

The details of the Company's cash dividend declarations are as follows:

Declaration date/ date of approval of BOD	February 15, 2019
Date of record	March 4, 2019
Date of payment	March 28, 2019
Dividend per share	0.035337
Amount paid	P119,999,649.70

24. EARNINGS PER SHARE

Basic and diluted earnings per share were computed as follows:

	2019 (Unaudited)	2018 (Unaudited)
Net profit attributable to the equity holders of the Parent Company	P 1,122,199,226	P 958,039,177
Divided by weighted average number of outstanding common shares*	<u>3,395,864,100</u>	<u>3,056,277,650</u>
Basic and diluted earnings per share	<u>P 0.33</u>	<u>P 0.31</u>

*The Group has no potential dilutive common shares as of June 30, 2019 and December 31, 2018.

25. CAPITAL STOCK

The Parent Company's capital stock consists of:

	<u>Shares</u>		<u>Amount</u>	
	<u>June 30, 2019</u> (Unaudited)	<u>December 31, 2018</u> (Audited)	<u>June 30, 2019</u> (Unaudited)	<u>December 31, 2018</u> (Audited)
Common shares – P1.00 par value Authorized – 4,000.0 million shares				
Issued and outstanding:				
Balance at beginning of period	3,395,864,100	2,716,691,200	P 3,595,864,100	P 2,716,691,200
Issuances during the period	<u>-</u>	<u>679,172,900</u>	<u>-</u>	<u>679,172,900</u>
Balance at end of period	<u>3,395,864,100</u>	<u>3,395,864,100</u>	<u>P 3,395,864,100</u>	<u>P 3,395,864,100</u>

On March 6, 2018, the Parent Company filed its application with the PSE for the listing of its common shares, which was approved by the PSE on May 23, 2018. Also on March 6, 2018, the Parent Company filed a Registration Statement covering the Initial Public Offering (IPO) of its common shares with the PSE, in accordance with the provisions of the SEC's Securities Regulation Code. Pursuant to its filing with the PSE, on June 29, 2018, the Parent Company issued through the IPO the additional 679,172,800 common shares at P12.00 price per share generating offering proceeds of P8,150.1 million. The related additional paid-in capital arising from the IPO, after deducting transaction costs associated with the issuance of shares, amounted to P6,964.6 million. The common share price closed at P9.75 per share as of June 30, 2019.

As of June 30, 2019 and December 31, 2018, there are 11 holders of the listed common shares owning at least one board lot of 100 shares.

26. COMMITMENTS AND CONTINGENCIES

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

26.1 Operating Leases – Group as a Lessor

The Group is a lessor under operating leases covering certain real estate properties presented in the consolidated statements of financial position as Investment Properties. The lease agreements have a term of one year, subject to annual renewal and monthly payment of minimum rental plus additional rental based on certain percentage of the lessee's gross sales. Lease agreements with large tenants have terms ranging from five to 45 years with monthly rental payment on certain rate per square meter of leased area subject to annual escalation rates of 5.00% to 10.00% per annum.

The future minimum lease collections under these operating leases as of the end of the reporting period is as follows:

	June 30, 2019 <u>(Unaudited)</u>	December 31, 2018 <u>(Audited)</u>
Within one year	P 1,178,245,136	P 1,051,641,523
After one year but not more than five years	3,991,728,629	3,965,602,534
More than five years	<u>32,545,647,433</u>	<u>32,173,993,819</u>
	<u>P 37,715,621,198</u>	<u>P 37,191,237,876</u>

26.2 Legal Claims

There are pending claims and legal actions filed by the Group or against the Group arising from the normal course of its business. Management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

26.3 Deficiency Tax Assessments

The Group has certain final deficiency tax assessment and has received letters of authority from the Bureau of Internal Revenue (BIR), pursuant to which the BIR has sought to investigate certain tax periods of the Group and consequently examine certain books, records and accounts that relate to transactions in the ordinary course of business. There are final deficiency tax assessments in the ordinary course of business against the Parent Company that are pending with the BIR covering taxable years 2015, 2013 and 2009. Pursuant to the Group's policy of addressing such actions in line with prudent business practice, the Group has engaged tax counsels and advisors in relation to these matters.

As of June 30, 2019, the final deficiency tax assessments are still under protest. Management believes that the Group has enough basis in law, Supreme Court and Court of Tax Appeals decisions, and evidence to support their claim; hence, no provisions were recognized in the consolidated financial statements.

26.4 Reclaimed Land and Others

The Group's existing land holdings in Aseana City, which were obtained pursuant to certain series of agreements involving reclamation and related projects with the Philippine Government, are entirely located on reclaimed foreshore land. Although the Group holds registered titles to these land holdings, Philippine law provides that issuance of titles does not create or vest title, but only constitutes evidence of ownership over such properties. In view of this, the Group's ownership, registration, and possession of titles and actual possession of these land holdings do not negate the possibility that the Philippine Government or third parties may at any time, file lawsuits to challenge the Group's rights to these land holdings. While the PRA and the Philippine Office of the Government Corporate Counsel (OGCC) are of the opinion that the Group's titles can no longer be invalidated, there is no assurance that the Philippine Government or third parties will not challenge the Group's rights to such reclaimed lands in the future. Notwithstanding the foregoing, the Group is not aware of the validity of the Group's titles being questioned, impugned, challenged or invalidated by the Philippine Government or any other third party since the time the Group acquired ownership over these land holdings in Aseana City and up to the audit report date. In addition to the opinions of the PRA and OGCC, management believes that the Group has enough basis in law and in the decisions of the relevant courts, to support the validity of its titles and ownership over these subject properties.

There are other commitments, litigations and contingencies that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As of June 30, 2019, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

27. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions primarily those current and expected future events that affect or likely to affect the real estate and leasing sector. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors its capital gearing by measuring the ratio of loans and borrowings to total capital and net loans and borrowings to total capital. Loans include all short-term and long-term borrowings while net interest-bearing loans include all short-term and long-term loans net of cash and cash equivalents.

As of June 30, 2019 and December 31, 2018, the Group's ratios of net interest-bearing loans to total capital are as follows:

	June 30, 2019 <u>(Unaudited)</u>	December 31, 2018 <u>(Audited)</u>
Total loans and borrowings	P 1,909,070,000	P 1,928,920,000
Less: Cash and cash equivalents	(9,112,383,149)	(8,949,219,648)
Net loans and borrowings (a)	(7,203,313,149)	(7,020,299,648)
Total equity	<u>19,876,807,607</u>	<u>18,865,978,379</u>
Net loans and borrowings and equity (b)	<u>12,673,494,458</u>	<u>P 11,845,678,731</u>
Gearing ratio (a/b)	(<u>57%</u>)	(<u>59%</u>)

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
Schedule of Financial Indicators
As required under SRC Rule 68, as amended
For the Period Ended June 30, 2019 and 2018
(Amounts in Philippine Pesos)

	June 30, 2019	December 31, 2018
I. Current/liquidity ratios		
a. Current Ratio		
$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	1.56	1.61
b. Quick Ratio		
$\frac{[\text{Cash and Cash Equivalents} + \text{Receivables} - \text{net}]}{\text{Total Current Liabilities}}$	1.16	1.08
II. Solvency ratios		
a. Solvency Ratio (Annualized)		
$\frac{\text{Earnings Before Interest and Taxes}}{\text{Total Liabilities}}$	27%	24%
b. Debt Ratio		
$\frac{\text{Total Loans and Borrowings}}{\text{Total Assets}}$	6%	6%
c. Debt-to-Equity Ratio		
$\frac{\text{Total Loans and Borrowings}}{\text{Total Equity Attributable to Owners of Parent Company}}$	10%	11%
III. Asset-to-equity ratio		
$\frac{\text{Total Assets}}{\text{Total Equity Attributable to Owners of Parent Company}}$	1.65	1.64
	June 30, 2019	June 30, 2018
IV. Interest Coverage Ratio		
$\frac{\text{Earnings Before Interest and Taxes}}{\text{Interest Costs*}}$	36.5	41.9
V. Profitability Ratios		
a. Net Profit Margin		
$\frac{\text{Net profit Attributable to Owners of the Parent Company}}{\text{Revenues}}$	89.6%	89.2%
b. Gross Profit Margin		
$\frac{\text{Gross Profit}}{\text{Revenues}}$	77.8%	82.5%
c. Return on Equity (Annualized)		
$\frac{\text{Net profit Attributable to Owners of the Parent Company}}{\text{Average Equity Attributable to Owners of the Parent Company}}$	12.4%	14.5%
d. Return on Assets (Annualized)		
$\frac{\text{Net profit Attributable to Owners of the Parent Company}}{\text{Average Total Assets}}$	8.2%	8.2%
e. Recurring income		
$\frac{\text{Rental revenue}}{\text{Total revenue}}$	77.9%	85.2%

D. M. WENCESLAO & ASSOCIATES, INCORPORATED
3rd Floor, Aseana Powerstation Building
Pres. Macapagal Avenue, Aseana Business Park, Paranaque City

Reconciliation of Retained Earnings Available for Dividend Declaration
As of the Period Ended June 30, 2019

Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Period	<u>P 4,935,797,686</u>
Prior Year's Outstanding Reconciling Items	
Rent income based on	
Philippine Accounting Standard (PAS) 17, <i>Leases</i>	(2,865,409,685)
Deferred tax income from deferred tax assets	(232,036,689)
Revaluation increment on land	(19,047,893)
Deferred gain on sale of land	(8,901,800)
	<u>(3,125,396,067)</u>
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Period, as Adjusted	<u>1,810,401,619</u>
Net Profit Realized During the Period	
Net profit per unaudited financial statements	893,505,923
Non-actual/unrealized income	
Rent income based on PAS 17	(275,503,353)
	<u>618,002,570</u>
Other Transactions During the Period	
Cash Dividends Declared	(119,999,650)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Period	<u><u>P 2,308,404,539</u></u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DMW's Net Income Grows 17% to P1.1 billion in six months ended June 30, 2019

Financial and Operational Highlights

(In Millions Pesos, except for financial ratios and percentages)

	Six months ended June 30 (UNAUDITED)				
	2019	% to Revenues	2018	% to Revenues	% Change
Profit & Loss Data					
Revenues	1,262	100%	1,080	100%	17%
Cost of services and sales	280	22%	189	17%	48%
Gross profit	982	78%	891	83%	10%
Other operating expenses - net	226	18%	184	17%	23%
Other income - net	711	56%	577	53%	23%
Net income attributable to owners of the Parent company	1,119	89%	955	88%	17%
	June 30, 2019	% to Total Assets	Dec 31, 2018	% to Total Assets	% Change
	(UNAUDITED)		(AUDITED)		
Balance Sheet Data					
Total Assets	31,592	100%	29,789	100%	7%
Total Liabilities	11,715	37%	10,923	37%	7%
Total Equity attributable to owners of the Parent company	19,120	61%	18,197	61%	5%
As of the period ended					
Other Key Financial Ratios		June 30, 2019	December 31, 2018		
Current Ratio		1.56	1.61		
Debt to Equity		10%	11%		
		June 30, 2019	June 30, 2018		
Return on Equity		12%	15%		
Net income ratio		90%	89%		
Recurring Income Contribution		78%	85%		

Revenue

Total consolidated revenue increased by P182.1 million, or 16.9%, from P1,080.1 million for the six months ended June 30, 2018 to P1,262.2 million for the same period in 2019, primarily due to the following:

Rentals

Our total rental revenue increased by P63.4 million, or 6.9%, from P920.0 million for the six months ended June 30, 2018 to P983.4 million for the same period in 2019.

- Rentals of Land. Rentals of land increased by P15.2 million, or 3.2% from P482.2 million in 2018 to P497.4 million in 2019. The increase was primarily attributable to the addition of Prestige Bay Development Corporation as a lessee commencing in March 2018, with a leased land area of 4,897.0 sq.m. Our total leased land area increased from 150,521 sq.m. as of June 30, 2018 to 155,418 sq.m. as of June 30, 2019.
- Rentals of Building. Rentals of building increased by P40.6 million, or 11.5%, from P351.9 million in 2018 to P392.5 million in 2019. The increase was primarily attributable to the effect of increase in rental rates of Aseana One and Two for the renewal of tenants of their contract of lease. Our total leased floor area is 89,914 sq.m. as of June 30, 2019 and 2018.
- Other revenue. Other revenue increased by P7.5 million, or 8.7%, from P85.9 million in 2018 to P93.4 million in 2019. The increase was primarily attributable to the effect increase in parking fee collections and CUSA charges related to leasing activities.

Construction contracts

Total construction revenue decreased by P102.4 million, or 89.4%, from P114.5 million for the six months ended June 30, 2018 to P12.1 million for the same period in 2019 primarily due to the decrease in construction activities rendered to external customers. In 2019, the Group started to focus its construction resources to completing its on-going internal projects.

Sale of Condominium Units

The revenue from sale of condominium units increased by P222.3 million, or 500.7%, from P44.4 million for the six months ended June 30, 2018 to P266.7 million for the same period in 2019. This increase was attributable primarily to the increase in the number of units that are qualified for revenue recognition in 2019 compared to units for the same period in 2018. Furthermore, increase in incremental percentage of completion in 2019 compared to the incremental percentage of completion for the same period in 2018. MidPark was launched in November 20, 2018.

Cost of Services and Sales

Our consolidated cost of services and sales increased by P90.4 million, or 47.7%, from P189.4 million for the six months ended June 30, 2018 to P279.8 million for the same period in 2019 due primarily to the following:

Rentals

Costs of rentals increased by P30.6 million, or 31.2%, from P98.1 million for the six months ended June 30, 2018 to P128.7 million for the same period in 2019. The increase in cost was due primarily to the increase in outside services of P7.4 million, increase in utilities of P6.5 million, increase in property maintenance and management fee of P6.1 million, increase in real property tax of P5.5 million and increase in other materials and supplies of P3.1 million.

Construction Contracts

Costs of construction contracts decreased by P58.2 million, or 90.4%, from P64.4 million for the six months ended June 30, 2018 to P6.2 million for the same period in 2019. As discussed in a previous paragraph, the decrease in cost was due primarily to lesser construction activities rendered to external parties.

Sale of Condominium Units

Cost of sale of condominium units increased by P118.1 million, or 440.7%, from P26.8 million for the six months ended June 30, 2018 to P144.9 million for the same period in 2019. As discussed in a previous paragraph, the increase was attributable primarily due to increase in the number of units that are qualified for revenue recognition and incremental percentage of completion in 2019 compared for the same period in 2018.

Other Operating expenses - net

Other operating expenses - net increased by P41.7 million, or 22.7%, from P184.0 million for the six months ended June 30, 2018 to P225.7 million for the same period in 2019. The increase was attributable primarily to the increase in commission expenses of P27.6 million, increase in taxes and licenses of P10.8 million and increase in salaries expense of P4.5 million.

Other Income (net of charges)

Other income increased by P134.2 million, or 23.3% from P576.6 million (net of charges) for the six months ended June 30, 2018 to P710.8 million (net of charges) for the same period in 2019 primarily due to the following:

Finance Income

Finance income increased by P139.3 million, or 2,283.6%, from P6.1 million in 2018 to P145.4 million in 2019. The increase was attributable primarily to the recognition of interest income from additional short-term placements.

Other Income

Other Income pertains to the non-refundable consideration received in relation to the Company's giving of its consent in favor of a third party to be able to buy from another party certain parcels of land contributed to a joint arrangement (see note 20 to the condensed consolidated financial statements). Subject to certain terms and conditions governing the transfer of such rights to the third party, the Company is entitled to consideration totaling P2,050.0 million over two years, of which a non-refundable portion amounting to P600.0 million was received by the Company for the six months ended June 30, 2019 and 2018.

Net Profit

Net profit attributable to parent company increased by P164.2 million, or 17.1%, from P958.0 million for the six months ended June 30, 2018 to P1,122.2 million for the same period in 2019.

Balance Sheet Accounts

Total Assets

The Company's total assets increased by P1,803.4 million, or 6.1%, from P29,788.7 million as of December 31, 2018 to P 31,592.1 million as of June 30, 2019 due to the following:

- Cash and cash equivalents increased by P1,563.2 million, or 20.7%, from P7,549.2 million to P9,112.4 million as of December 31, 2018 and June 30, 2019, respectively, primarily due to the maturity of 120-days short-term placement that was previously classified under other current asset account and recognition of related interest income. Although, the classification has no direct impact in the total assets.
- Receivables increased by P347.2 million, or 7.2%, from P4,811.3 million to P5,158.5 million as of December 31, 2018 and June 30, 2019, respectively, primarily due to the recognition of rental receivable based on PAS17.
- Contact asset increased by P267.0 million, or 160.2%, from P166.7 million to P433.7 million as of December 31, 2018 and June 30, 2019, respectively, primarily due to the increase in units that qualified for revenue recognition and the increase in percentage of completion of Pixel Residences and Midpark Towers. There were no construction activities for Midpark Towers in 2018.
- Property development costs increased by P61.3 million, or 8.6%, from P711.4 million to P772.7 million as of December 31, 2018 and June 30, 2019, respectively, primarily due to the cost incurred in constructing Pixel Residences and MidPark Towers. As of June 30, 2019 percentage of completion for Pixel Residences and MidPark Towers is 56.6% and 11.9%, respectively.
- Investment properties - net increased by P797.8 million, or 7.0%, from P11,448.4 million to P12,246.2 million as of December 31, 2018 and June 30, 2019, respectively, primarily due to the cost incurred for 8912 Asean Ave., Parqal, Aseana 5, Aseana 6 and 58 Jupiter.

- Other non-current asset decreased by P24.8 million, or 3.4%, from P723.6 million to P698.8 million as of December 31, 2018 and June 30, 2019, respectively, primarily due to recoupment of deposits or downpayment on progress billings of subcontractors.

Total Liabilities

Total liabilities increased by P792.6 million, or 7.3%, from P10,922.7 million to P11,715.3 million from December 31, 2018 to June 30, 2019, respectively, due to the following:

- Trade and other payables increased by P125.4 million, or 11.1%, from P1,125.2 million to P1,250.6 million as of December 31, 2018 and June 30, 2019, respectively, primarily due to accrual of income tax payable of P34.5 million, increase in deferred output VAT payable of P78.6 million and increase in retention payable of P18.3 million related to a portion of progress billings from suppliers.
- Contract liability increased by P370.7 million, or 176.1%, from P210.5 million to P581.2 million as of December 31, 2018 and June 30, 2019, respectively, primarily due to the increase in the amount received from real estate customers in excess of the amount the Group has rights to receive based on the progress of the real estate development.
- Deposits and advances increased by P196.4 million, or 15.1%, from P1,298.4 million to P1,494.8 million as of December 31, 2018 and June 30, 2019, respectively, mainly due to payments received related to the sale of condominium units of Pixel Residences and MidPark Towers.
- Deferred tax liabilities increased by P121.5 million, or 16.9%, from P721.0 million to P842.5 million as of December 31, 2018 and June 30, 2019, respectively, due to recognition of deferred income taxes related to deferred rental income.

Total Equity

Total equity increased by P1,010.8 million, or 5.4%, from P18,866.0 million to P19,876.8 million as of December 31, 2018 and June 30, 2019, respectively, primarily due to the results of operation of P1,130.8 million for the six months ended June 30, 2019 net of declaration of dividends of P120.0 million.

Other Key Financial Ratios

The Company's key performance indicators are measured in terms of the following: (a) Current ratio which determines the liquidity of the Company (b) Debt to equity which determines the Company's financial leverage (c) Return on equity which measures the profitability to capital provided by stockholders (d) net income ratio which measures the ratio of net profit to total gross revenue (e) recurring income contribution.

Current ratio decreased to 1.56 from 1.61 as of June 30, 2019 and December 31, 2018, respectively, mainly due to increase in current liabilities as a result of on-going construction of the Group's pipeline projects.

Debt to equity ratio decreased to 10% from 11% as of June 30, 2019 and December 31, 2018, respectively, due to payment of maturing loans while increasing the equity as the result of operations.

Return on equity decreased to 12% from 15% as of June 30, 2019 and 2018, respectively, as a result of increase in equity.

Net income margin increased to 90% for the six months ended June 30, 2019 from 89% for the same period in 2018 mainly due to the change in the revenue mix and the increase in operating expenses in 2019.

Recurring income ratio decreased to 78% for the six months ended June 30, 2019 from 85% for the same period in 2018 mainly due to increase in revenue from sale of condominium units.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Company's continuing operations.

Key Operating Data

D.M. Wenceslao & Associates, Incorporated through its wholly owned subsidiary, Aseana Residential Holdings Corp., has sold 278 units of MidPark Towers, a 90% take-up out of 309 units launched in November 2018. It has achieved more than P4.3 billion in pre-sales over the last six months, with an average transacted price of P250,500 per square meter (sq.m.).

Following the success of the first two towers, the third tower was released and available for purchase beginning June 2019. It will house 204 residential units with base prices starting at P10.8 million or P275,000 per sq.m. for smallest 40-sq.m. studio units, which is 25% higher from the launch price of P220,000 per sq.m. for the first two towers. MidPark Towers is a four-tower freehold property slated for completion in 2023. Second quarter was a record quarter for the residential business driven by higher percentage of residential project completion and ongoing pre-selling activities. During the quarter, DMW topped off Pixel Residences, its first residential development which was fully pre-sold in June 2017 and is expected to be completed by end-2019. The Company also launched the third tower of MidPark Towers after the project reached 90% take-up of the units launched in November 2018. As of July 31, total pre-sales of MidPark Towers have surpassed P4.8 billion from P4.3 billion reported in early June.

Parqal had its ground breaking ceremony during the first quarter of 2019. The name “Parqal” is a word play from the terms Park and Kalye. It is a five-hectare development that has a gross floor area (GFA) of 78,000 square meters. It is composed of nine independent four-storey buildings that will occupy two blocks of Macapagal Boulevard – Block 2 (between Celero Drive and Macapagal Boulevard) and Block 5 (between Macapagal Boulevard and Imao Road). The buildings’ architectural expression has a modernized approach in terms of form, character substance, and material profile of the “Bahay-na-Bato” – the Philippines’ vernacular architecture derived from Hispanic and Chinese influences.

Project and Capital Expenditure

As of June 30, the Company have deployed P1,168.7 million or 15% of our net proceeds from the initial public offering primarily for pipeline project development.

SIGNATURES

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

Issuer: **D.M. WENCESLAO & ASSOCIATES, INC.**

By:


DELVIN ANGELO C. WENCESLAO
Chief Executive Officer


ATTY. HEHERSON M. ASIDDAO
Chief Finance Officer

Date: August 1, 2019