COVER SHEET

SEC Registration Number

A2000-00652

COMPANY NAME

CYBERZONE PROPERTIES, INC. (A Wholly Owned Subsidiary of Filinvest Land, Inc.)

PRINCIPAL OFFICE (*No. / Street / Barangay / City / Town / Province*)

5th - 7th Floors Vector 1 Building, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17Q-1		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	846-0278	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	5/30	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Venus A. Mejia	venus.mejia@filinvestgroup.com	846-0278	N/A

CONTACT PERSON's ADDRESS

5th-7th Flr. Vector One Bldg. Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City

NOTE1 : 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 REGULATIONS CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2019**

2. SEC Identification Number **A2000-00652** 3. BIR Tax ID **204-863-416-000**

4. Exact name of issuer as specified in its charter **CYBERZONE PROPERTIES, INC.**

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

6. Industry Classification Code: _______ (SEC Use Only)

5th – 7th Floors Vector 1 Building, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City **1770**
7. Address of issuer's principal office Postal Code

02-846-0278
8. Issuer's telephone number, including area code

Not Applicable
9. Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Section 8 and 12 of the SRC

Title of Each Class	Number of shares of Common Stock Outstanding	Amount of Debt Outstanding
Common Stock, ₱1.00 par value	1,163,426,668	
Bonds Payable		6,000,000,000

11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [ ] No [X]

12. Indicate by check mark whether the issuer:

(a) has filed reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA Rule 1(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [X] No [ ]

(b) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

TABLE OF CONTENTS

Part 1 – FINANCIAL INFORMATION

	Page
Item 1. Financial Statements	
Notes to Financial Statements	
1. Corporate Information	5
2. Summary of Significant Accounting Policies	5
3. Significant Accounting Judgments and Estimates	26
4. Accounts Payable and Accrued Expenses	29
5. Long-Term Debt	30
6. Bonds Payables	30
7. Other Noncurrent Liabilities	30
8. Other Income	31
9. Financial Risk Exposures	31
Item 2. Management Discussion and Analysis of Financial Condition and Result of Operations	33

Part II – OTHER INFORMATION

Item 3. Business Development / New Projects	36
Item 4. Other Disclosures	36

Part II – SIGNATURE

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

Please refer to Annex A for the Financial Statements of Cyberzone Properties, Inc. covering the three months ended March 31, 2019 and period ended December 31, 2018. The Aging Schedule for the Company's receivables as of March 31, 2019 is also presented as Annex B. In addition, attached hereto are Supplementary Information and Disclosures required on SRC rules 68 and 68.1 as amended for the three months ended March 31, 2019.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Cyberzone Properties, Inc. (the Company) was registered with the Securities and Exchange Commission (SEC) on January 14, 2000. Its primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.

The Company's registered office address is at 5th - 7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City.

The Company is a wholly owned subsidiary of Filinvest Land, Inc. (FLI or Parent Company), a subsidiary of Filinvest Development Corporation (FDC). A.L. Gotianun Inc. (ALG) is the Company's ultimate Parent Company. FLI, FDC and ALG were all incorporated in the Philippines.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are prepared using the historical cost basis, except for financial asset at fair value through other comprehensive income (FVTOCI) that is measured at fair value. The financial statements are presented in Philippine Peso (₱), which is also the Company's presentation and functional currency.

Statement of Compliance

The financial statements of the Company are prepared in compliance with Philippine Financial Reporting Standards (PFRS), which include the availment of relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular No. 3-2019 as discussed in the section below on Changes in Accounting Policies and Disclosures. PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those of the previous financial years, except for the adoption of the following amendments in PFRS and PAS which became effective beginning January 1, 2018. The nature and impact of each new standard and amendment are described below:

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the

classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The Company has no share-based payment transaction, therefore these amendments do not have any impact on the Company's financial statements.

- PFRS 9, *Financial Instruments*

  PFRS 9, replaces PAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Company early adopted the first phase of PFRS 9 (2010 version) effective January 1, 2011. The adoption of the final version of PFRS 9 did not have significant impact on the classification and measurement of the Company's financial assets and financial liabilities.

  The adoption of the provisions on impairment has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to record an allowance for impairment losses for all debt financial assets not held at fair value through profit or loss (FVTPL). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from lessee's deposits or other credit enhancements that are integral to the contractual terms.

  For trade receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

  For cash and cash equivalents, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a
  12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. To estimate the ECL, the Company uses the ratings published by a reputable rating agency.

  There is no transition adjustment in relation to the impairment allowance as of January 1, 2018.

- Amendments to PFRS 4, Applying PFRS 9, *Financial Instruments* with PFRS 4, *Insurance Contracts*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable since the Company has no activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 supersedes PAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  PFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Company adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under the modified retrospective method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standards to all contracts as at January 1, 2018.

  The adoption of PFRS 15 did not have significant impact on the statement of financial position, financial performance and cash flows of the Company since bulk of its revenue comes from leasing operations which is covered by different accounting standard.

  Set out below is the disaggregation of the Company's revenue from non-lease component as of March 31, 2019 and 2018:

	2019	2018
Tenant Dues :		
Aircon dues	148,835,96	₱119,303,024
Utilities dues	87,044,762	79,941,279
Common area charges	100,087,871	77,021,736
	₱335,968,228	₱276,266,039

  Disaggregated revenue information

The non-lease component of the Company's revenue arises from aircon dues, utilities dues, common area charges and vetting fees. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted utility services such as water and electricity.

Allocation of transaction price to performance obligation
Each of the non-lease component is considered a single performance obligation, therefore it is not necessary to allocate the transaction price. These services are capable of being distinct from the other services and the transaction price for each service is separately identified in the contract.

The Company assessed itself as agent on its arrangement with tenants for common area charges and utilities dues.

Timing of revenue recognition
Revenue from common area charges are recognized over time since the tenants simultaneously receives and consumes the services provided by the Company. While revenue from utilities dues are recognized at a point in time. The Company determined that output method best represent the recognition pattern for revenue from utilities dues since this is recognized based on the actual consumption of the tenants.

The Company availed of the deferral of adoption of CUSA charges of PIC 2018-12-H. The Company is acting as a principal for the provision of air-conditioning services, common usage service areas services and administration and handling services. Had the provisions been adopted, this would have resulted to the gross presentation of the related revenue and the related expenses and cost. Currently, the related revenue is presented net of costs and expenses. These would not result to any adjustment in the retained earnings as of January 1, 2018 and net income in 2018.

- PIC Q&A on Advances to Contractors
  The Company adopted PIC Q&A 2018-15, PAS 1- *Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018. The impact of adoption is applied retrospectively which resulted to the following reclassifications in the statement of financial position as at January 1, 2018:

	Reference	Current Asset	Noncurrent Asset
Advances to contractors and suppliers	(a)	(₱201,754,828)	₱201,754,828

(a) Advances to contractors and suppliers previously presented under current assets, representing prepayments for the construction of investment property was reclassified to noncurrent asset. Before the adoption of PIC Q&A 2018-15, the classification of the Company is based the timing of application of these advances against billings and timing of delivery of goods and services. This interpretation aims to classify the prepayment based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g., real estate inventory, investment property, property plant and equipment.

The adoption of PIC Q&A also resulted to increase in cash flows provided by operating activities with a matching decrease in cash flows used in investing activities amounting ₱220.9 million and ₱151.3 million for the years ended December 31, 2017 and 2016, respectively.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate* or *Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.
  The amendments do not have a material impact on the Company's financial statements.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  Since the Company's current practice is in line with the amendment issued, the Company does not expect this amendment to have a material impact in the financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

Since the Company's current practice is in line with this interpretation, the Company does not expect this interpretation to have an impact in the financial statements.

Future Changes in Accounting Policies

The Company will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Company does not expect the adoption of these standards to have a significant impact on the financial statements.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- PFRS 16, *Leases*

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

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

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

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

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

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and,
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

- The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

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

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately

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

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

This interpretation is not relevant to the Company because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

Annual Improvements 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.
  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Company but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

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

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity

applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

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

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Company.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred Effective Date

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*.

Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

Significant Accounting Policies

Current versus Noncurrent Classification
The Company presents assets and liabilities in statement of financial position based on current/noncurrent classification. An asset is current when:

a. expected to be realized or intended to be sold or consumed in normal operating cycle;
b. held primarily for the purpose of trading;
c. expected to be realized within twelve (12) months after the reporting period; or
d. cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

a. it is expected to be settled in normal operating cycle;
b. it is held primarily for the purpose of trading;
c. it is due to be settled within twelve (12) months after the reporting period, or
d. there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

Financial Instruments
Financial assets and liabilities are recognized in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery or assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Recognition and Measurement of Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVTOCI, or at FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or at FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is referred to as the 'solely payments of principal and interest test' and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

As of December 31, 2018 and 2017, the Company's financial assets comprise of financial assets at amortized cost and financial assets at FVTOCI.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

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

- the asset is held within the Company's business model whose objective is to hold assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the statement of comprehensive income.

The Company classified cash and cash equivalents, receivables and deposits (included under other noncurrent assets) as financial assets at amortized cost (see Note 25).

Financial assets at FVTOCI (equity instruments)
At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVTOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in "Revaluation reserve on financial assets at FVTOCI" in the statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in "Revaluation reserve on financial assets at FVTOCI" is not reclassified to profit or loss, but is reclassified to Retained earnings.

Included under this category are the Company's investments in unquoted shares of stocks.

Dividends earned on holding these equity instruments are recognized in the statement of income when the Company's right to receive the dividends is established in accordance with PFRS 15, unless the dividends clearly represent recovery of a part of the cost of the investment.

Reclassification of financial assets
The Company can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Company is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted.

A change in the objective of the Company's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and

borrowings and payables, net of directly attributable transaction costs.

As of December 31, 2018 and 2017, loans and borrowings consist primarily of accounts payable and accrued expenses, loans payable, bonds payable and due to related parties.

Subsequent measurement
Loans and borrowings (financial liabilities at amortized cost) is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

Impairment of Financial Assets (Effective January 1, 2018)
The Company recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the lessee's deposit held or other credit enhancements that are integral to the contractual terms.

The Company applies a simplified approach in calculating ECLs for financial assets at amortized costs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment of Financial Assets (Prior to January 1, 2018)
The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e. the EIR computed
at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the Company financial assets with similar credit risk characteristics. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be

recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset is derecognized when:

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

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

Financial Liabilities

A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the statement of financial position.

Advances to contactors

Advances to contractors pertain to down-payments made by the Company which are applied against future billings for development and construction contracts. Advances to be applied as payment for construction of assets to be classified inventories is classified as current and advances to be applied as property and equipment or investment properties are presented as noncurrent assets.

Prepaid commission
Prepaid commission are incremental costs that are directly attributable to negotiating and arranging a lease. These are initially recognized at cost and are amortized over the related lease term.

Value-added Tax (VAT)
Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable and payable from the taxation authority is included as part of "Other current assets" and "Accounts payable and accrued expenses", respectively in the statement of financial position.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property.

Investment properties include buildings that are held to earn rentals and are not occupied by the Company. Investment properties, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less accumulated impairment losses, if any.

Investment properties built on land rented from the Parent Company or a third party are depreciated over their estimated useful lives or lease term, whichever is shorter. Depreciation of investment properties are computed using the straight-line method over the estimated useful life of 40-50 years for the building and 15 years for equipment.

Buildings in-progress are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and do not change the cost of that property for measurement or disclosure purposes.

Property and Equipment
Property and equipment consists of land improvements and furniture and fixtures. The Company's property and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives (EUL) of these assets as follows:

	Years
Land improvements	6
Furniture and fixtures	3 - 5

The useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

Intangible Asset
Intangible asset includes build, transfer and operate (BTO) rights. Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination or contracted arrangements is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

BTO rights are amortized over the economic useful life (i.e., 25 years) and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income.

Gains or losses arising from derecognition of intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

Prepaid District Cooling System (DCS) connection charges
Prepaid DCS connection charges are initially recognized at cost and are subsequently amortized over the term of the supply period (i.e., 20 years) commencing on the date when the related building is connected to the DCS facility. Portion related to the connection of succeeding buildings are amortized over the remaining years of the supply period.

Other Assets
Other assets are recognized in the statement of financial position when it is probable that the future economic benefits will flow to the Company and the assets have cost or value that can be measured reliably. These assets are regularly evaluated for any impairment in value. Amounts expected to be realized within 12 months from end of reporting period is classified as current; otherwise, they are presented as noncurrent assets.

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

Intangible assets with finite lives (i.e., BTO rights) are amortized over the economic useful life (i.e., 25 years) and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Equity
Capital stock and additional paid-in capital
The Company records common stock at par value and additional paid-in capital for the amount in excess of the total contributions received over the aggregate par value of the equity shares.

Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained earnings
Retained earnings represent accumulated earnings of the Company, less dividends declared and

any adjustment arising from application of new accounting standards or changes in accounting policies applied retroactively. Retained earnings are restricted for any appropriation as approved by the Company's BOD.

Dividends on common shares are deducted from unappropriated retained earnings when declared and approved by the BOD of the Company. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after reporting date, if any, are dealt with as an event after reporting date and disclosed accordingly.

Earnings per Share (EPS)
Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Revenue Recognition
The Company is in the business of leasing its investment property portfolio. The Company's non-lease performance obligations include common area management and administration of utility services.

Significant accounting policy before adoption of PFRS 15
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

Significant accounting policy on adoption of PFRS 15
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

Rental Income
Rental income arising from investment properties are recognized in the statement of comprehensive income either on a straight-line basis over the lease term or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Leases under contingent rents are recognized as income in the period in which they are earned.

Tenant Dues
Tenant dues are recognized when the related services are rendered. The Company has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, and electricity in its office leasing activities, wherein it is acting as agent. Income from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

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

Other income
Other income is recognized when the related services have been rendered and the right to receive payment is established.

Other Comprehensive Income (OCI)
OCI are items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS.

Costs and Expense Recognition
These include the Company's costs incurred in leasing properties and expenses related to administering its business. These are generally recognized as incurred and measured at the amount paid or payable.

Retirement Costs
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in other comprehensive income account "Remeasurement gain on retirement plan", net of tax and are not reclassified to another equity account in subsequent periods.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within twelve months after the end of the annual reporting date is recognized for services rendered by employees up to the end of the reporting date.

<u>Borrowing Costs</u>
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of construction costs. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended sale or use are completed. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

All other borrowing costs are expensed when incurred.

<u>Income Taxes</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the report date.

Deferred tax
Deferred tax is provided on all temporary differences at the report date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except; (a) where deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluation. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and NOLCO can be used. The carrying amount of deferred tax assets is reviewed at each report date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been

enacted or substantively enacted at the report date.

Deferred tax relating to items recognized in other comprehensive income or directly in equity is also recognized in other comprehensive income and not in the statement of comprehensive income.

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

Operating Leases

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

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

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

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

Company as Lessor

Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Company as Lessee

Operating lease payments are recognized as an expense on a straight line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Foreign Currency-denominated Transactions and Translation

Foreign currency-denominated transactions are recorded using the prevailing exchange rates at the time of the transaction. Foreign currency-denominated monetary assets and liabilities are translated using the prevailing exchange rates at the report date. Exchange gains or losses resulting from foreign currency transactions and translation are included in the statement of comprehensive income for the year.

Segment Reporting

The Company's operating businesses are organized and managed according to the nature of the products and services provided. The Company has determined that it is operating as one operating segment as of December 31, 2018 and 2017 (see Note 23).

Provisions

A provision is recognized only when the following conditions are present: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made on the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense. Provisions are reviewed at each report date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Report Date
Post year-end events up to the date of the auditor's report that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Any year-end events that are not adjusting event is disclosed in the notes to the financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the financial statements as they become reasonably determinable. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Principal versus agent considerations
The contract for the office spaces and retails spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and Common Usage Service Areas (CUSA) like maintenance, janitorial and security services.

For the electricity and water usage, the Company determined that it is acting as an agent because the promise of the Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility company, and not the real estate developer, is primary responsible for the provisioning of the utilities while the Company, administers the leased spaces and coordinates with the utility companies to ensure that tenants have access to these utilities. The Company does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

For the provision of air conditioning and services in the CUSA, the Company acts as a principal. This is because it is the Company who retains the right to direct the service provider of CUSA as it chooses and the party responsible to provide proper ventilation and air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA and air conditioning charges.

Operating lease commitments - Company as lessor
The Company has entered into commercial property leases on its investment property portfolio.

are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear, and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. There were no changes on the estimated useful life of the investment properties, property and equipment, and intangible asset. The carrying value of investment properties amounted to ₱14.27 billion and ₱13.9 billion as of March 31, 2019 and December 31, 2018, respectively. The carrying value of property and equipment amounted to ₱40 million and ₱39.6 million as of March 31, 2019 and December 31, 2018, respectively. The carrying value of intangible asset amounted to ₱2.5 billion and ₱2.6 billion as of March 31, 2019 and December 31, 2018, respectively.

4. Accounts Payable and Accrued Expenses

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Advances from tenants	**₱492,212,809**	₱515,817,828
Retention payable	**444,537,125**	484,167,100
Accrued expenses	**515,571,657**	203,075,503
Payable to land owner - current	**281,587,512**	281,587,512
Payable to contractors	**125,945,007**	171,753,983
Accrued rent payable	**313,438,377**	124,773,429
Accrued interest payable	**101,429,575**	111,450,986
Payable to suppliers	**121,995,994**	101,709,612
Withholding taxes payable	**43,976,129**	35,111,863
	₱2,440,694,185	₱2,029,447,816

Advances from tenants are advance payments received for rentals, utilities and other fees. These are applied against rental obligations of the tenants when they become due.

Retention payable account pertains to the amounts withheld by the Company from contractors' progress billings which are returned upon completion of their services or expiry of the contractors' warranty period.

Accrued expenses include accruals for utilities, maintenance, service and energy charges, outside services and other expenses. These are normally settled within the year.

Payable to land owner pertains to the unpaid balance on the land acquired in South Road Properties, Cebu City in 2015.

Payable to contractors arises from progress billings received from contractors for the constructions costs incurred by the Company.

Accrued rent payable represents the difference between rent expense and rent payments due to straight line recognition.

Payable to suppliers arise from various acquisitions of materials and supplies used for construction and are normally payable within one year.

Withholding taxes payable consists of withholding taxes on compensation and expanded withholding taxes. These are normally settled within one month.

5. Long Term Debt

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Developmental loans from local banks	**₱3,360,303,030**	**₱3,457,613,636**
Less current portion of loans payable	**1,078,636,363**	**839,242,424**
Long-term portion of loans payable	**₱ 2,281,666,667**	**₱2,618,371,212**

The loans from local banks are obtained to finance the construction of buildings.

Total interest expense charged to the statement of comprehensive income amounted to ₱55.7 million and ₱45.5 million in March 31, 2019 and 2018, respectively.

6. Bonds Payable

On July 7, 2017, the Company issued fixed rate bonds with aggregate principal amount of ₱6.0 billion and term of five and a half (5.5) years from the issue date. The fixed rate is 5.05% per annum, payable quarterly in arrears starting October 7, 2017.

The bonds are redeemable at 100% of face value on maturity date, which is January 7, 2023, unless the Company exercises its early redemption option. Interest expense in 2019 which was capitalized relating to bonds payable amounted to ₱49.65 million.

Unamortized debt issuance cost on bonds payable amounted ₱ 48 million as of March 31, 2019. Amortization of transaction costs in March 2019 included under "Interest and other financing charges" in the statements of comprehensive income amounted to ₱ 3.19 million.

The bonds require the Company to maintain a maximum debt-to-equity ratio of 2.33x; and minimum debt service coverage ratio of 1.1x. As of March 31, 2019, the Company is not in breach of any of these debt covenants.

7. Other Noncurrent Liabilities

This account consists of:

	2019	2018
Security and other deposits	**₱611,309,869**	₱642,405,071
Retention payable - net of current portion	**56,398,642**	45,644,480
	₱667,708,511	₱688,049,551

Security and other deposits are those paid by tenants that will be applied to any outstanding obligations of the tenants at the end of the lease term or upon pre-termination.

9. Other Income

The account consists of:

	March 31, 2019 (Unaudited)	March 31, 2018 (Audited)
Tenant reimbursements	**₱335,817,655**	₱ 277,867,068
Expenses incurred:		
Utilities	**(193,081,349)**	(173,104,526)
Services	**(47,598,044)**	(34,892,600)
Repairs and maintenance	**(36,893,481)**	(32,588,247)
Salaries and Wages	**(8,513,920)**	(4,831,122)
Depreciation	**(7,358,334)**	(11,681,150)
Insurance	**(2,958,531)**	604,773
Others	**(54,671)**	-
	(296,458,330)	(256,492,871)
Net Recovery	**39,359,325**	21,374,196
Service fee income	**2,119,659**	1,918,359
Commission income	**-**	-
Miscellaneous	**906,312**	833,838
	₱42,385,296	₱ 24,126,393

10. Financial Risk Exposures

The Company's financial instruments comprise of cash and cash equivalents, receivables, long-term debt, accounts payable and accrued expenses and security and other deposits. The main purpose of the long-term debt is to finance the Company's operations while all other financial instruments resulted from the conduct of business.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Company's risk management policies are summarized below:

a. *Interest rate risk*

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's long-term debt. Interest rates are dependent on floating interest rates, subject to repricing as determined by the creditor bank during the term of the loan. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax.

	Increase (decrease) in basis points	Effect on income before income tax/capitalized borrowing costs
2019	**+100**	**(₱33.6 million)**
	-100	**33.6 million**
2018	+100	(₱34.6 million)
	-100	34.6 million

There is no impact on the Company's equity other than those already affecting the statements of comprehensive income.

b. *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial

instrument or customer contract, leading to a financial loss. The Company trades only with recognized, creditworthy third parties. It is the Company's practice that prospective tenants are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company which comprise cash and cash equivalents, the Company's exposure to credit risk relates to default of the counterparty with a maximum exposure equal to the carrying amount of the instruments.

The Company determines the credit quality based on the following:

Cash and Cash Equivalents – based on the nature of the Company's internal rating system.

Receivables – (a) high grade pertains to receivable from third parties, of which based on experience, are highly collectible or collectible on demand, and of which exposure to bad debts is not significant, while (b) standard grade pertains to receivables which passed a certain set of credit criteria and, which the Company has not noted any extraordinary exposure that calls for past due classification.

The table below shows the credit quality, based on the Company's credit rating system as of March 31, 2019 and December 31, 2018:

	2019				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	₱ 760,484,843	₱–	₱–	₱–	₱ 760,484,843
Receivables	616,673,992	–	23,739,160	285,258	640,698,410
Deposits	37,956,634	–	–	–	37,956,634
	₱1,415,115,469	₱–	₱23,739,160	₱285,258	₱1,439,139,887

Excludes cash on hand amounting to ₱83,000.

	2018				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	₱717,450,656	₱–	₱–	₱–	₱717,450,656
Receivables	506,976,403	–	19,777,844	285,258	527,039,505
Deposits	41,187,431	–	–	–	41,187,431
	₱1,265,614,490	₱–	₱19,777,844	₱285,258	₱1,285,677,592

Excludes cash on hand amounting to ₱83,000.

The analysis of trade receivables which are past due but not impaired as of March 31, 2019 and December 31, 2018 follow:

	Past Due but not Impaired					
	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
2019	**₱8,039,661**	**₱9,708,061**	**₱489,178**	**₱67,369**	**₱5,434,891**	**₱23,739,160**
2018	₱13,559,809	₱5,053,630	₱197,779	₱260,349	₱706,277	₱19,777,844

c. *Liquidity risk*

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial assets. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Company's practice is that float will be kept at a minimum.

The tables below summarize the maturity profile of the Company's financial assets held to

manage liquidity as at March 31, 2019 and December 31, 2018 :

	2019							
	On demand	**< 30 days**	**30 - 60 days**	**61 - 90 days**	**> 90 days**	**Up to a year total**	**> 1 year but < 5 years**	**Total**
Cash and cash equivalents	**₱760,484,843**	**₱**	**₱–**	**₱–**	**₱–**	**₱760,484,843**	**₱–**	**₱760,484,843**
Receivables	**616,673,992**	**8,039,661**	**9,708,061**	**489,178**	**67,369**	**634,978,261**	**5,502,260**	**640,480,521**
Deposits	–	–	–	–	–	–	**37,956,634**	**37,956,634**
	₱1,377,158,835	**₱8,039,661**	**₱9,708,061**	**₱ 489,178**	**₱67,369**	**₱1,395,463,104**	**₱43,458,894**	**₱1,438,921,998**

	2018							
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 year but < 5 years	Total
Cash and cash equivalents	₱315,845,016	₱401,688,640	₱–	₱–	₱–	₱717,533,656	₱–	₱717,533,656
Receivables	507,261,661	13,559,809	5,053,630	197,779	966,626	527,039,505	–	527,039,505
Deposits	–	–	–	–	–	–	41,187,431	41,187,431
	₱823,106,677	₱415,248,449	₱5,053,630	₱197,779	₱966,626	₱1,244,573,161	₱ 41,187,431	₱1,285,760,592

Maturity profile of the Company's financial liabilities, as at March 31, 2019 and December 31, 2018 is shown below (in thousands):

	2019									
	On demand	In 30 days	30 to 60 days	61 to 90 days	Over 90 days	Up to a year total	1 - 3 years	> 3 - 5 Years	Over 5 years	Total
Loans Payable	₱–	₱–	₱108,977	₱38,333	₱83,977	₱231,287	₱847,348	₱1,994,167	₱287,500	₱3,360,302
Bonds Payable									6,000,000	6,000,000
Interest on long-term debt*	101,430	–	–	–	–	101,430	–	–	–	101,430
Accounts payable and accrued expenses	2,299,562	–	91,445	49,687	–	2,440,694	–	–		2,440,694
Security and other deposits	–	–	–	–	812,784	812,784				812,784
	₱2,400,992	₱–	₱200,422	₱88,020	₱896,761	₱3,586,195	₱847,348	₱1,994,167	₱6,287,500	₱12,715,210

*Includes future interest payable.

	2018									
	On demand	**< 30 days**	**30 - 60 days**	**61 - 90 days**	**> 90 days**	**Up to a year total**	**> 1 - 3 years**	**> 3 - 5 Years**	**Over 5 years**	**Total**
Loans payable	**₱83,978**	**₱25,000**	**₱288,333**	**₱83,977**	**₱357,955**	**₱839,242**	**₱2,318,393**	**₱300,000**	**₱–**	**₱3,457,636**
Bonds payable	–	–	–	–	–	–	–	**6,000,000**	–	**6,000,000**
Interest on long-term debt*	**138,408**	–	–	–	**1,792,898**	**1,931,306**	**67,241**	–	–	**1,998,547**
Accounts payable and accrued expenses	**1,747,860**	–	–	–	**281,588**	**2,029,448**	–	–	–	**2,029,448**
Security and other deposits	–	–	–	–	**807,100**	**807,100**	–	–	–	**807,100**
	₱1,970,246	**₱25,000**	**₱288,333**	**₱83,977**	**₱3,239,541**	**₱5,607,097**	**₱2,385,634**	**₱6,300,000**	**₱–**	**₱14,292,731**

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

Results of operations for the three months ended March 31, 2019 compared to three months ended March 31, 2018

The Company's net income increased by 28%. Movement is attributable to the Company's new tenants and increase in parking income.

Revenues

Increase by 22% in rental revenues was caused by new tenants that started during the second-half of 2018. Total revenue generated from these tenants during the first three months of 2019 amounted to Php 114.86 million. These increase also include the amount generated from Axis Tower 1 and Cebu Tower 2. There were also renewals of expired contracts at escalated rate.

Other income is composed of tenant reimbursements and other miscellaneous income from rental facilities which includes parking income. The increase in parking income is attributable to the start of parking operations of Filinvest Axis Phase 1.

Expenses

Increase in rental expense of 10% or ₱6.06 million resulted from increase in revenue which is the basis on the computation of rental expense.

Increase of 32% or ₱0.99 million in selling and marketing expenses is due to higher commission resulting from higher awarded lease spaces this year.

Financial Condition as of March 31, 2019 compared to as of December 31, 2018

As of March 31, 2019, CPI's total assets is valued at ₱20,021.81 million, higher by 4% or by ₱739 million than the ₱19,283.01 million total assets as of December 31, 2018. The following are the material changes in account balances:

21% Increase in Other Current Assets

Movement is due to recognition of Input VAT on various purchases of goods and services and other prepayments that will be amortized over the rest of year.

3% Increase in Investment Properties

This is mainly due to the increase on Capitalized Interest attributable to Filinvest Axis Tower 2, Filinvest Axis Tower 3 and Filinvest Axis Tower 4.

1% Increase in Property, Plant and Equipment

Increase is attributable to increase in machineries and equipments.

20% Increase in Accounts Payable and Accrued Expenses

Increase was caused by additional purchases made by the company to accommodate ongoing construction of its buildings.

5% Decrease in current portion of Long term debt

This is due to varying maturity of the loans that do not have a short term due date

12% Decrease in Deferred Tax Liability

Movement is due to decrease in deferred tax expense attributable to the decrease in Capitalized Borrowing Cost

3% Decrease in Other Noncurrent Liabilities

This is mainly due to decrease in noncurrent portion of Retention payable and decrease in security deposits.

Performance Indicators

Financial Ratios	Particulars	As of and for the three months ended March 31, 2019	For the three months ended March 30, 2018
Earnings per Share	Net Income / Weighted Ave. number of outstanding shares	0.34	0.27

Debt to Equity Ratio	Long Term Debt Total Stockholder's Equity	0.47 : 1	0.66 : 1
Current Ratio	Current Asset Current Liability	0.66 : 1	1.46 : 1
Debt Service Coverage Ratio with pretermination of loan	Earnings before Interest Taxes and Depreciation Debt service (*Loan principal + interest payments)*	1.23 : 1	3.45 : 1
Debt Service Coverage Ratio without pretermination of loan	Earnings before Interest Taxes and Depreciation Debt service (*Loan principal + interest payments)*	1.23 : 1	3.45 : 1

Earnings per share (EPS) for the first three months of 2019 increase by 7% compared to the EPS for the year 2018 due to higher net income.

PART II - OTHER INFORMATION

Item 3. Business Development/New Projects

The Company being considered as one of the first companies to operate a major BPO-centric lease provider in southern Metro Manila continually aims to provide leasing services to various clients. The combined competitive advantage of its location and the benefits of its PEZA registration attracted BPO companies to lease office spaces in Northgate Cyberzone.

In 2017, it completed the Vector Three building in Northgate Cyberzone, a 20-story high rise building with a GLA of 36,345 square meters which was turned over on June 2017.

Latest addition to CPI's office portfolio in Northgate Cyberzone is the iconic Axis Project, comprised of four (4) office towers namely Axis Towers One, Two, Three and Four with gross leasable area of 39,340 sqm each tower and with retail component at the Ground Floor with approximate gross leasable area of 6,000 sqm. Each office tower has nineteen (19) office floors with five (5) podium and three (3) basement parking levels. Axis Tower One was completed 2nd quarter of 2018 and has occupancy rate of 89% as of to date. Axis Tower Two will be completed by 2nd quarter of 2019. Both buildings are LEED Gold Certified. While the remainder Axis Towers Four and Three will be completed by 2nd quarter of 2020 and 2nd quarter of 2021 respectively.

As of end March 2019, twelve (12) out of eighteen (18) operational buildings in Northgate Cyberzone are connected to a District Cooling system (DCS), owned and operated by PDDC, a 60% subsidiary of FLI. The DCS plant supplies chilled water for the provision of cooling energy to the aforementioned buildings of CPI within Northgate Cyberzone. Through the DCS, the air conditioning and cooling systems of some of the existing and upcoming buildings in Northgate Cyberzone is now centralized and it is a more reliable and greener source of air conditioning for CPI's locators.

For Cebu Cyberzone property, Cebu Tower 2, a 22-story office tower was completed 4th quarter of 2018 and was turned over to CPI on 1st quarter of 2019. It has a gross leasable area of 28,296 square meters.

The Company aims to complete the other two towers, Towers 3 and 4 in the next three years. Each tower will have a gross leasable area of 19,673.03 sqm with thirteen (13) office floors, one (1) basement and six (6) podium parking levels and a retail component at Ground Floor. The Company is also looking at other potential properties in Cebu for development into other office spaces. Beyond these two locations, CPI is also looking at the potential of other cities as possible sites for future Cyberzones.

Item 4. Other Disclosures

The information is not necessarily indicative of the results of the future operations. The information set out above should be read in conjunction with, and is qualified in its entirety by reference to the the relevant financial statements of Cyberzone Properties, Inc., including the notes thereto.

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of CPI within the next 12 months. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements

requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of CPI.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Company.

The Company does not have any contingent liability of borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.

ANNEX A
PART 1 - FINANCIAL INFORMATION
Item 1 - Financial Statements

CYBERZONE PROPERTIES, INC.
STATEMENTS OF FINANCIAL POSITION

	as of March 31, 2019	as of December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	760,567,843	717,533,656
Receivables	640,698,410	527,039,505
Other current assets	987,820,001	814,773,211
Total Current Assets	2,389,086,254	2,059,346,372
Noncurrent Assets		
Investment properties	14,268,384,158	13,908,323,251
Property and equipment	40,022,816	39,635,268
Advances to contractors	267,183,026	280,020,176
Intangible and other noncurrent assets	3,057,137,455	2,995,688,655
Total Noncurrent Assets	17,632,727,455	17,223,667,350
TOTAL ASSETS	20,021,813,709	19,283,013,722
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	2,440,694,185	2,029,447,816
Loans payable - current portion	1,078,636,363	839,242,424
Income tax payable	101,491,907	8,503,433
Other current liabilities	145,075,914	164,695,239
Total Current Liabilities	3,765,898,368	3,041,888,912
Noncurrent Liabilities		
Loans payable - net of current portion	2,281,666,667	2,618,371,212
Bonds payable - net	5,951,979,086	5,948,937,691
Retirement liability	1,419,104	1,419,104
Deferred tax liability - net	232,916,944	264,842,643
Other noncurrent liabilities	667,708,511	688,049,551
Total Noncurrent Liabilities	9,135,690,312	9,521,620,201
TOTAL LIABILITIES	12,901,588,680	12,563,509,113
Equity		
Capital stock	1,163,426,668	1,163,426,668
Additional paid-in capital	102,900,666	102,900,666
Retained earnings	5,853,897,695	5,453,177,275
TOTAL STOCKHOLDERS' EQUITY	7,120,225,029	6,719,504,609
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	20,021,813,709	19,283,013,722

CYBERZONE PROPERTIES, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Period Ended March 31,	
	2019	2018
	(Unaudited)	(Audited)
REVENUES AND INCOME		
Rental income	650,769,587	534,503,343
Other income	42,385,296	24,126,393
	693,154,883	**558,629,736**
COSTS AND EXPENSES		
Rental expense	66,978,662	60,915,853
Depreciation and Amortization	71,372,127	93,343,723
Advertising and marketing	4,085,489	2,851,774
Taxes and Licenses	10,752,607	8,488,632
Manpower Cost	2,162,986	1,461,619
Service and Management Fees	2,443,115	2,123,702
Others	1,174,579	1,005,566
	158,969,565	**170,190,868**
FINANCE INCOME (CHARGES)		
Interest income	3,291,407	3,970,518
Interest and other financing charges	(55,724,721)	(45,536,488)
Other financing charges	(3,294,579)	(3,430,141)
	(55,727,893)	**(44,996,111)**
INCOME BEFORE INCOME TAX	**478,457,425**	**343,442,757**
PROVISION FOR INCOME TAX		
Current	109,662,700	23,877,907
Deferred	(31,925,699)	6,422,755
	77,737,001	**30,300,662**
TOTAL COMPREHENSIVE INCOME	**400,720,424**	**313,142,095**

CYBERZONE PROPERTIES, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Period Ended March 31,	
	2019 (Unaudited)	2018 (Audited)
NET INCOME FOR THE PERIOD	**400,720,424**	313,142,095
Remeasurement losses on retirement plan, net of tax	-	-
TOTAL COMPREHENSIVE INCOME	**400,720,424**	313,142,095
Attributable to:		
Equity holders of the parent	**400,720,424**	**313,142,095**
Noncontrolling interest	-	-
	400,720,424	313,142,095

CYBERZONE PROPERTIES, INC.
STATEMENTS OF CASH FLOW

	Three Months Period Ended March 31,	
	2019 (Unaudited)	2018 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	478,457,425	278,026,255
Adjustment for:		
Depreciation and Amortization	78,730,461	61,631,228
Amortization	3,191,394	
Interest expense	55,724,721	34,804,244
Pension Expense	-	52,217
Interest income	(3,291,407)	(225,016)
Operating income before changes in operating assets and liabilities	**612,812,594**	**374,288,927**
Changes in operating assets and liabilities		
Decrease (increase) in:		
Receivables	(113,658,906)	(10,707,191)
Advances to contractors	12,837,149	25,334,641
Other current assets	(173,314,931)	(58,536,904)
Increase (decrease) in:		
Accounts payable and accrued expenses	411,246,368	(161,584,028)
Other current liabilities	(105,863,164)	(314,263,437)
Other noncurrent liabilities	65,902,798	630,613,366
Net cash generated from operations	**709,961,908**	**485,145,373**
Interest received	3,291,407	225,016
Income tax paid	(16,674,227)	(5,001,264)
Net cash provided by operating activities	**696,579,088**	**480,369,126**
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to:		
Investment properties	(437,368,796)	(336,499,503)
Property and equipment	(1,960,120)	(205,775)
Other non-current assets	(61,180,657)	(170,002,239)
Cash used in investing activities	**(500,509,574)**	**(506,707,517)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from loans	300,000,000	598,250,000
Payments of long-term debt	(397,310,606)	(413,518,939)
Payment of bond issuance costs		
Interest paid	(55,724,721)	(34,804,244)
Net cash provided by financing activities	**(153,035,327)**	**149,926,816**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**43,034,187**	**123,588,425**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**717,533,656**	**88,269,920**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**760,567,843**	**211,858,345**

CYBERZONE PROPERTIES, INC.
STATEMENTS OF CHANGES IN EQUITY

	Three Months Period Ended March 31,	
	2019 (Unaudited)	2018 (Audited)
Capital Stock		
Common shares - P1 par value		
Authorized - 2 billion shares		
Issued - 1,163,426,668 shares		
Outstanding - 1,163,426,668	**1,163,426,668**	1,163,426,668
Treasury shares	-	-
Additional paid-in capital	**102,900,666**	102,900,666
Revaluation reserve on financial assets at fair value through other comprehensive income	-	173,084
Remeasurement losses on retirement plan	-	-
Retained earnings		
Balance at beginning of the period	**5,453,177,271**	4,355,218,265
Net income	**400,720,424**	1,410,282,325
Dividends	-	(312,496,403)
Balance at end of the period	**5,853,897,695**	5,453,004,187
Equity attributable to equity holders of the parent	**7,120,225,029**	6,719,504,605
Noncontrolling interest	-	-
Total Equity	**7,120,225,029**	6,719,504,605

ANNEX B

Cyberzone Properties, Inc.
AGING OF RECEIVABLES
As of March 31, 2019

	Current	1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Trade Receivables	618,573,809	7,391,090	9,694,033	414,794	41,812	4,582,872	640,698,410
Total	618,573,809	7,391,090	9,694,033	414,794	41,812	4,582,872	640,698,410

Trade receivables represent charges to tenants for rentals and utilities normally collectible within a year.

Normal Operating Cycle: 12 calendar months

CYBERZONE PROPERTIES, INC.
(A Wholly Owned Subsidiary of Filinvest Land, Inc.)

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AND 68.1 AS AMENDED

March 31, 2019

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Company. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Marketable Securities (Current Marketable Equity Securities and Other Short Term Cash Investments)

As of March 31, 2019, the Company has Philippine Long Distance Telephone Company, Inc. (PLDT) shares amounting to ₱2,000 and Treasury Bills amounting to ₱ 604,625,922 reported under Current Assets on the Company's Statements of Financial Position.

Schedule B. Non-Current Marketable Equity Securities, Other Long-Term Investments in Stocks, and Other Investments

As of March 31, 2019, the Company has no non-current marketable equity securities, other long-term investments in stocks, and other investments.

Schedule C. Intangible Asset

As of March 31, 2019, the Company's intangible asset consists of Build Transfer Operate (BTO) rights which pertains to the cost related to the BTO agreement with the Cebu Province entered into on March 26, 2012.

	2019	2018
BTO rights	**₱ 2,514,504,353**	**₱ 2,439,449,343**

Under the BTO agreement, the Company is committed to develop and construct a BPO Complex on the properties owned by Cebu Province located at Salinas, Lahug, Cebu City, and transfer the ownership of the BPO Complex to the Cebu Province upon completion, in exchange for the right to operate and manage the BPO Complex for the entire term of the agreement and its renewal (25 years, renewable for another 25 years upon mutual agreement of the parties). The BTO project comprises of four (4) towers and first two towers have been completed, and the other two are under construction. Kindly refer to Note 2 and 3 of the Financial Information.

Schedule D. Long term debt

Below is the schedule of long-term debt of the Company (in thousands):

Type of Obligation	Amount	Current	Noncurrent
- This is a 5-year loan with a financial institution, obtained on July 27, 2016 and will mature on July 27, 2021 - 50% of the principal is payable in 12 quarterly payments starting October 2018; 50% payable at maturity. - Fixed 5-year inclusive of GRT - Unsecured	₱320,833	₱58,333	₱262,500
- This is a 7-year loan with a financial institution, obtained on August 5, 2013 and will mature on August 5, 2020 - 50% of the principal is payable in 20 quarterly payments starting November 2015; 50% payable at maturity - 7-year PDST-F plus spread of 1.0% plus GRT - Unsecured	325,000	50,000	275,000
- This is a 7-year loan with a financial institution, obtained on December 16, 2013 and will mature on December 16, 2020 - 50% of the principal is payable in 20 quarterly payments starting December 2015; 50% payable at maturity - 7-year PDST-F plus spread of 1.0% plus GRT - Unsecured.	455,000	70,000	385,000
- This is a 5-year loan with a financial institution, obtained on May 14, 2015 and will mature on May 14, 2020 - 50% of the principal is payable in 12 quarterly payments starting August 2017; 50% payable at maturity - Interest is fixed for 5 years - Unsecured	212,500	50,000	162,500
- This is a 7-year loan with a financial institution, obtained on July 7, 2014 and will mature on July 7, 2021. - 50% of the principal is payable in 20 quarterly payments starting October 2016; 50% payable at maturity - Interest rate equivalent to PDST-F, payable quarterly - Unsecured	525,000	70,000	455,000
- This is a 5-year loan with a financial institution, obtained on January 30, 2015 and will mature on January 30, 2020 - 50% of the principal is payable in 12 quarterly payments starting January 2017; 50% payable at maturity - Interest is fixed for three years, repricing at the end of 3rd year - Unsecured	187,500	187,500	-
- This is a 5-year loan with a financial institution, obtained on September 28, 2016 and will mature on September 28, 2021 - 50% of the principal is payable in 12 quarterly payments starting September 2018; 50% payable at maturity - Fixed for 5 years - Unsecured	437,500	83,333	354,166
- This is a 5-year loan with a financial institution, obtained on April 6, 2015 and will mature on January 31, 2020 - 50% of the principal is payable in 11 quarterly payments starting July 2017; 50% payable at maturity - 5-year PDST-R2 plus spread of 1.0% plus GRT, Unsecured	196,970	196,970	-
- This is a 5-year loan with a financial institution, obtained on November 9, 2016 and will mature on November 9, 2023 - 50% of the principal is payable in 16 quarterly payments starting February 2020; 50% payable at maturity	400,000	12,500	387,500

Type of Obligation	Amount	Current	Noncurrent
- Fixed for 7 years - Unsecured			
- This is a 180 days loan with a financial institution, obtained on March 12, 2019 and will mature on September 8, 2019 - Fixed for 180 days - Unsecured	300,000	300,000	
- This is a 5.5-year bond issued on July 7, 2016 with a fixed interest rate of 5.0496% per annum payable quarterly. The principal bonds payable is P6 billion maturing on 2023 - The bonds shall be repaid at maturity at par or 100% of face value	5,951,979	-	5,951,979
	₱9,312,282	₱1,078,636	₱8,233,646

The Company's long-term debts are unsecured and no assets are held as collateral for these debts. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio and interest coverage ratio.

The agreements also provide for restrictions and requirements with respect to, among others, making substantial change in present management and ownership structure; acquisition of any shares of stock; sale, lease or transfer and disposal of all or a substantial part of its assets, except in the ordinary course of business; and entering into any merger, consolidation or reorganization.

As of March 31, 2019, the Company has not been cited as in default on its outstanding loan obligations.

Schedule E. Indebtedness to Related Parties (Short-Term Loans from Related Companies)

As of March 31, 2019, the Company has advances amounting to P300,000,000 from its affiliate Filinvest Cyberparks Inc .

Schedule F. Guarantees of Securities of Other Issuers

The Company does not have guarantees of securities of other issuers as of March 31, 2019.

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
			(In Thousands)			
Common Shares	2,000,000	1,163,427	–	1,163,427	0.007	None

Schedule H. Unappropriated Retained Earnings Available for Dividend Distribution

CYBERZONE PROPERTIES, INC.
CONSOLIDATED UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION

Retained Earnings, January 1, 2019		₱452,093,340
Adjustments:		
Equity in net earnings of subsidiaries and associates		–
Prior-year adjustments		–
Unappropriated Retained Earnings, as adjusted, January 1, 2019		452,093,340
Net income based on the face of unaudited financial statements	400,720,424	
Less: Non-actual/unrealized income net of tax		
Equity in net income of subsidiaries and associates	–	
Unrealized foreign exchange gain – net	–	
Unrealized actuarial gain	–	
Fair value adjustment (marked-to-market gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Add: Non-actual/unrealized losses net of tax		
Depreciation on revaluation increment	–	
Adjustment due to deviation from PFRS/GAAP loss	–	
Loss on fair value adjustment of Investment Property	–	
Movement in deferred tax assets	–	
Net income actual/realized		400,720,424
Add (less):		
Movement in deferred tax assets		(31,925,699)
Dividend declarations during the period		-
Appropriations of retained earnings during the period		-
Unappropriated Retained Earnings, as adjusted, March 31, 2019		₱820,888,065

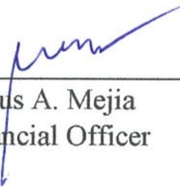
PART III - Signature

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CYBERZONE PROPERTIES, INC.

By:

Lourdes Josephine G. Yap
Chairman of the Board / President / CEO



Ana Venus A. Mejia
Chief Financial Officer