GT CAPITAL
HOLDINGS, INCORPORATED

August 14, 2020

**Securities and Exchange Commission**
Ground Floor Secretariat Building
PICC Complex, Roxas Boulevard
Pasay City, 1307

Attention: **Atty. Rachel Esther J. Gumtang-Remalante**
OIC, Director - Corporate Governance and Finance Department

**Philippine Stock Exchange, Inc.**
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head - Disclosure Department

Attention: **Mr. Norbert T. Moreno**
Assistant Head – Disclosure Department

**Subject: Submission of 17Q Report as of June 30, 2020**

Gentlemen /Mesdames:

In line with the reportorial requirements of the Securities Regulation Code and the Revised Disclosure Rules, we hereby submit the attached 2020 Second Quarter Report on SEC Form 17-Q.

Very truly yours,

**Francisco H. Suarez, Jr.**
Chief Finance Officer

GT CAPITAL HOLDINGS, INCORPORATED

# COVER SHEET

C S 2 0 0 7 1 1 7 9 2

S.E.C. Registration Number

G T C A P I T A L H O L D I N G S , I N C . A N D

S U B S I D I A R I E S

(Company's Full Name)

G T T O W E R I N T E R N A T I O N A L , A Y A L A

A V E N U E C O R N E R H . V . D E L A C O S T A

S T R E E T , M A K A T I C I T Y

(Business Address: No. Street/City/Province)

**FH Suarez, Jr. / RP Manon-og**

Contact Person

**8836-4500**

Company Telephone Number

1 2 | 3 1

Month | Day

Fiscal Year

1 7 - Q

FORM/TYPE

2nd Wednesday in May of each year

Month | Day

Annual Meeting

N A

Secondary License Type, If Applicable

SEC General Accountant &

C F D

Dept. Requiring this Doc.

N A

Amended Articles Number/Section

As of June 30, 2020

88

Total No. of Stockholders

Total Amount of Borrowings

Domestic | Foreign

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To be accomplished by SEC Personnel concerned.

File Number

LCU

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Cashier

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

1. For the quarterly period ended: **June 30, 2020**

2. Commission identification number: **CS200711792**

3. BIR Tax Identification No.: **006-806-867**

4. Exact name of issuer as specified in its charter: **GT CAPITAL HOLDINGS, INC.**

5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office: **43/F GT Tower International, Ayala Avenue corner H.V. de la Costa Street, Makati City Postal Code: 1227**

8. Issuer's telephone number, including area code: **632 8836-4500; Fax No: 632 8836-4159**

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

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

a) Shares of Stock

| Title of Each Class | Number of Shares of Outstanding Common Stock |
|---|---|
| **Common Stock -Php10.00 par value** | **215,284,587 shares** |
| **Series A Perpetual Preferred Shares (GTPPA)** | **4,839,240 shares** |
| **Series B Perpetual Preferred Shares (GTPPB)** | **7,160,760 shares** |

b) Debt Securities: Php15 Billion Bonds*

| Title of Each Class | Amount of Debt Outstanding |
|---|---|
| **Corporate Retail Bonds** | **Php15.0 billion** |

**amount represents only the debt of GT Capital Holdings, Inc. registered with Philippine SEC*

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

| **Type of Shares** | **Stock Exchange** |
|---|---|
| Common Shares | Philippine Stock Exchange |
| GTPPA | Philippine Stock Exchange |
| GTPPB | Philippine Stock Exchange |
| Corporate Retail Bonds | Philippine Dealing and Exchange Corporation |

*The Corporation's Voting Preferred Shares are not listed in any stock exchange.*

12. Indicate by check mark whether the registrant:

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

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

## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

Please see attached Interim Condensed Consolidated Financial Statements and General Notes to Interim Condensed Consolidated Financial Statements (Refer to Annex A) and Financial Soundness Indicators (Refer to Annex B).

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

Consolidated Results of Operations- For the Six Months Ended June 30, 2020 and For the Six Months Ended June 30, 2019

| GT CAPITAL CONSOLIDATED STATEMENTS OF INCOME | UNAUDITED Six Months Ended June | | Increase(Decrease) | |
|---|---|---|---|---|
| (In millions, except for Percentage) | 2020 | 2019 (Restated) | Amount | Percent |
| **REVENUE** | | | | |
| Automotive operations | **43,331** | 86,992 | (43,661) | (50%) |
| Equity in net income of associates and joint ventures | **4,245** | 6,457 | (2,212) | (34%) |
| Real estate sales and interest income on real estate sales | **2,966** | 4,790 | (1,824) | (38%) |
| Rent income | **709** | 620 | 89 | 14% |
| Sale of goods and services | **233** | 330 | (97) | (29%) |
| Interest income | **122** | 265 | (143) | (54%) |
| Commission income | **74** | 137 | (63) | (46%) |
| Other income | **941** | 1,157 | (216) | (19%) |
| | **52,621** | 100,748 | (48,127) | (48%) |
| **COST AND EXPENSES** | | | | |
| Cost of goods and services sold | **30,063** | 60,276 | (30,213) | (50%) |
| Cost of goods manufactured | **7,980** | 17,003 | (9,023) | (53%) |
| General and administrative expenses | **5,798** | 5,854 | (56) | (1%) |
| Interest expense | **3,237** | 3,095 | 142 | 5% |
| Cost of real estate sales | **1,544** | 2,883 | (1,339) | (46%) |
| Cost of rental | **253** | 202 | 51 | 25% |
| | **48,875** | 89,313 | (40,438) | (45%) |
| **INCOME BEFORE INCOME TAXES FROM CONTINUING OPERATIONS** | **3,746** | 11,435 | (7,689) | (67%) |
| **PROVISION FOR INCOME TAX** | **518** | 2,137 | (1,619) | (76%) |
| **NET INCOME FROM CONTINUING OPERATIONS** | **3,228** | 9,298 | (6,070) | (65%) |
| **NET INCOME FROM DISCONTINUED OPERATIONS** | – | 243 | ( 243) | (100%) |
| **NET INCOME** | **3,228** | 9,541 | (6,313) | (66%) |
| | | | | |
| **ATTRIBUTABLE TO:** | | | | |
| **Equity holders of the parent company** | | | | |
| Profit for the year from continuing operations | **2,741** | 7,050 | (4,309) | (61%) |
| Profit for the year from discontinued operations | – | 124 | ( 124) | (100%) |
| | **2,741** | 7,174 | (4,433) | (62%) |
| **Non-controlling interests** | | | | |
| Profit for the year from continuing operations | **487** | 2,248 | (1,761) | (78%) |
| Profit for the year from discontinued operations | – | 119 | ( 119) | (100%) |
| | **487** | 2,367 | (1,880) | (79%) |
| | **3,228** | 9,541 | (6,313) | (66%) |

GT Capital Holdings, Inc. ("GT Capital" or the "Parent Company" or the "Company") consolidated net income attributable to equity holders of the Parent Company dropped by 62% from Php7.17 billion for the six months ended June 30, 2019 to Php2.74 billion for the six months ended June 30, 2020. The decline was principally due to decline in consolidated revenues with major decreases registered in automotive operations, equity in net income of associates and joint ventures, and real estate sales and interest income on real estate sales.

Core net income attributable to equity holders of the Parent Company declined by 55% from Php7.11 billion for the six months ended June 30, 2019 to Php3.17 billion in the same period of 2020. Core net income for the first half of 2020 amounted to Php3.17 billion, after adding back the Php0.43 billion non-recurring expenses incurred by Metro Pacific Investments Corporation (MPIC) and amortization of fair value adjustments arising from various business combinations. Core net income for the six months ended June 30, 2019 amounted to Php7.11 billion, after adding back the Php0.12 billion non-recurring expenses of MPIC and amortization of fair value adjustments arising from various business combinations and deducting the Php0.12 billion net income contribution of Property Company of Friends ("PCFI") and Php0.06 billion provision reversal of Toyota Financial Services Philippines Corporation ("TFSPC").

The financial statements of Federal Land Inc. ("Federal Land"), Toyota Motor Philippines Corporation ("TMP"), Toyota Manila Bay Corporation ("TMBC") and GT Capital Auto Dealership Holdings, Inc. ("GTCAD") are consolidated in the financial statements of the Group. The investments in other component companies Metropolitan Bank and Trust Company ("Metrobank"), Philippine AXA Life Insurance Corporation ("AXA Philippines"), TFSPC, Metro Pacific Investments Corporation ("MPIC") and Sumisho Motor Finance Corporation ("SMFC") are reported through equity accounting.

Of the nine (9) component companies, AXA Philippines and SMFC posted growths in their respective net income for the period, while Federal Land, TMP, TMBC, GTCAD, Metrobank, MPIC, and TFSPC reported declines in their respective net income. TMBC and GTCAD incurred net losses for the period.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts decreased by 50% from Php86.99 billion in the first half of 2019 to Php43.33 billion in the first half of 2020 due to a 54% drop in wholesale volume from 72,794 units to 33,392 units amid the enhanced community quarantine imposed in Luzon and NCR.

Equity in net income of associates and joint ventures declined by 34% from Php6.48 billion in the first half of 2019 to Php4.25 billion in the first half of 2020 primarily due to decreases in the net income of the following associates:

(1) Metrobank by 30% from Php13.03 billion to Php9.13 billion due to a significant increase in provisions for credit and impairment losses as a result of proactive measures to secure the bank from further economic slowdown that may result from the continuing COVID-19 pandemic;
(2) MPIC by 63% from Php8.11 billion to Php3.03 billion due to a decline in share in operating income and non-core expenses primarily the full provisioning in the carrying value of Meralco's investment in Pacific Light Power; and
(3) TFSPC by 28% from Php0.37 billion to Php0.26 billion due to an increase in provisions for credit and impairment losses.

Real estate sales and interest income on real estate sales dropped by 38% from Php4.79 billion in the first half of 2019 to Php2.97 billion in the first half of 2020 due to the enhanced community quarantine restrictions which resulted in the halt of construction activities in its ongoing projects.

Rent income grew by 14% from Php0.62 billion to Php0.71 billion primarily due to rate escalation and higher newly signed lease spaces against back-outs and termination.

Sale of goods and services declined by 29% or Php97.57 million due to lower fuel sales and the closure of food franchises amid the enhanced community quarantine.

Interest income dropped by 54% from Php0.27 billion in the first half of 2019 to Php0.12 billion in the first half of 2020 due to lower time deposit placements in 2020.

Commission income decreased by Php0.06 billion from Php0.14 billion in the first half of 2019 to Php0.07 billion in the first half of 2020 due to a decline in booked sales of Federal Land arising also from the enhanced community quarantine in the second quarter of June 2020.

Other income declined by Php0.22 billion from Php1.16 billion to Php0.94 billion with: (1) Federal Land contributing Php0.27 billion comprising real estate forfeitures, management fees and other income; (2) TMP contributing Php0.28 billion consisting of ancillary income, foreign exchange gain and other income; (3) TMBC contributing Php0.14 billion consisting of ancillary income on finance and insurance commissions and other income. The remaining balance of Php0.25 billion came from GT Capital and GTCAD.

Consolidated costs and expenses decreased by 45% from Php89.31 billion in the first half of 2019 to Php48.88 billion in the first half of 2020. TMP contributed Php36.55 billion comprising cost of goods sold for manufacturing and trading activities, general and administrative expenses and interest expenses. TMBC contributed Php5.57 billion consisting of cost of goods and services sold, general and administrative expenses and interest expenses. Federal Land contributed Php3.96 billion consisting of cost of real estate sales, cost of goods and services sold, general and administrative expenses, cost of rental and interest expenses. GT Capital Parent Company contributed Php2.43 billion consisting of interest expenses and general and administrative expenses. GTCAD accounted for the balance of Php0.37 billion consisting of cost of goods and services sold, general and administrative expenses and interest expenses.

Cost of goods and services sold dropped by 50% from Php60.28 billion to Php30.06 billion relative to the decline in automotive sales.

Cost of goods manufactured comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP declined by Php9.02 billion from Php17.00 billion to Php7.98 billion due to a decline in sales volume of assembled vehicles.

Interest expenses increased by 5% from Php3.10 billion in the first half of 2019 to Php3.24 billion in the first half of 2020 with GT Capital, Federal Land, TMP, TMBC and GTCAD accounting for Php2.24 billion, Php0.75 billion, Php0.19 billion, Php0.05 billion and Php0.01 billion, respectively.

Cost of real estate sales dropped by 46% from Php2.88 billion to Php1.54 billion relative to the decrease in real estate sales of Federal Land.

Cost of rental increased by 25% from Php0.20 billion to Php0.25 billion due to an increase in operating expenses incurred in the leasing business such as taxes and licenses, depreciation, maintenance and other overhead expenses.

Provision for income tax declined by 76% from Php2.14 billion to Php0.52 billion due to lower taxable income in the first half of 2020 vis-à-vis the same period in 2019.

Net income from discontinued operations of Php243.28 million in 2019 pertains to the income earned by PCFI, which was disposed in said year.

Net income attributable to non-controlling interest decreased by 79% from Php2.37 billion to Php0.49 billion due to a decline in net income of subsidiaries which are not wholly-owned.

Consolidated Results of Operations- For the Quarter Ended June 30, 2020 and For the Quarter Ended June 30, 2019

| **GT CAPITAL CONSOLIDATED STATEMENTS OF INCOME** | **UNAUDITED April to June** | | **Increase(Decrease)** | |
|---|---|---|---|---|
| (In millions, except for Percentage) | **2020** | **2019 (Restated)** | **Amount** | **Percent** |
| **REVENUE** | | | | |
| Automotive operations | **10,551** | 48,226 | (37,675) | (78%) |
| Equity in net income of associates and joint ventures | **1,570** | 3,170 | (1,600) | (50%) |
| Real estate sales and interest income on real estate sales | **579** | 2,993 | (2,414) | (81%) |
| Rent income | **296** | 317 | (21) | (7%) |
| Sale of goods and services | **62** | 154 | (92) | (60%) |
| Interest income | **61** | 141 | (80) | (57%) |
| Commission income | **7** | 64 | (57) | (89%) |
| Other income | **476** | 757 | (281) | (37%) |
| | **13,602** | 55,822 | (42,220) | (76%) |
| **COST AND EXPENSES** | | | | |
| Cost of goods and services sold | **7,687** | 33,460 | (25,773) | (77%) |
| Cost of goods manufactured | **1,522** | 9,328 | (7,806) | (84%) |
| General and administrative expenses | **2,662** | 3,064 | (402) | (13%) |
| Interest expense | **1,699** | 1,810 | (111) | (6%) |
| Cost of real estate sales | **212** | 1,766 | (1,554) | (88%) |
| Cost of rental | **120** | 91 | 29 | 32% |
| | **13,902** | 49,519 | (35,617) | (72%) |
| **INCOME (LOSS) BEFORE INCOME TAXES FROM CONTINUING OPERATIONS** | **(300)** | 6,303 | (6,603) | (105%) |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** | **(253)** | 1,238 | (1,491) | (120%) |
| **NET INCOME (LOSS) FROM CONTINUING OPERATIONS** | **(47)** | 5,065 | (5,112) | (101%) |
| **NET INCOME FROM DISCONTINUED OPERATIONS** | **–** | 18 | (18) | (100%) |
| **NET INCOME (LOSS)** | **(47)** | 5,083 | (5,130) | (101%) |
| | | | | |
| **ATTRIBUTABLE TO:** | | | | |
| **Equity holders of the parent company** | | | | |
| Profit for the year from continuing operations | **197** | 3,742 | (3,545) | (95%) |
| Profit for the year from discontinued operations | **–** | 9 | (9) | (100%) |
| | **197** | 3,751 | (3,554) | (95%) |
| **Non-controlling interests** | | | | |
| Profit (loss) for the year from continuing operations | **(244)** | 1,323 | (1,567) | (118%) |
| Profit for the year from discontinued operations | **–** | 9 | (9) | (100%) |
| | **(244)** | 1,332 | (1,576) | (118%) |
| | **(47)** | 5,083 | (5,130) | (101%) |

Consolidated net income attributable to equity holders of the Parent Company decreased by 95% from Php3.75 billion in the second quarter of 2019 to Php0.20 billion in the second quarter of 2020. The decrease was principally due to the decline in revenue during the quarter as a result of the imposition of the enhanced community quarantine during the period.

Core net income attributable to equity holders of the Parent Company declined by 91% from Php3.77 billion for the second quarter of 2019 to Php0.34 billion in the same period of 2020. Core net income for the second quarter of 2020 amounted to Php0.34 billion, after adding back the Php0.14 billion non-recurring expenses incurred by MPIC and amortization of fair value adjustments arising from various business combinations. Core net income for the second quarter of 2019 amounted to Php3.77 billion, after adding back the Php0.09 billion non-recurring expenses incurred by MPIC and amortization of fair value adjustments arising from various business combinations, and deducting the Php0.07 billion net income contribution of PCFI and provision reversal of TFSPC.

Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts decreased by Php37.68 billion from Php48.23 billion in the second quarter of 2019 to Php10.55 billion in the second quarter of 2020 due to a drop in wholesale and retail sales volume amid the enhanced community quarantine during the quarter.

Equity in net income of associates and joint ventures declined by 50% from Php3.17 billion in the second quarter of 2019 to Php1.57 billion in the second quarter of 2020 primarily due to decreases in the:

(1) net income of Metrobank from Php6.28 billion to Php3.00 billion primarily from the Php15.50 billion increase in provisions for credit and impairment losses to secure the bank from further economic slowdown that may result from the continuing COVID-19 pandemic; and
(2) net income of MPIC from Php4.57 billion to Php1.15 billion due to a decline in the share of operating income.

Real estate sales and interest income on real estate sales decreased by Php2.41 billion from Php2.99 billion in the second quarter of 2019 to Php0.58 billion in the second quarter of 2020 again due to no construction activities for its ongoing real estate development projects.

Rent income dropped by 7% from Php0.32 billion to Php0.30 billion due to the closure of stores during the enhanced community quarantine.

Sale of goods and services, consisting of the sale of petroleum products on a wholesale and retail basis, in the Blue Wave and Blue Bay Walk malls situated in Pasay City and Marikina City, decreased by 60% from Php0.15 billion to Php0.06 billion arising from lower fuel sales and closure of some food franchises during the enhanced community quarantine.

Interest income on deposits and investments declined by 57% from Php0.14 billion to Php0.06 billion due to lower level of money market placements.

Commission income dropped by Php57 million from Php64 million in the second quarter of 2019 to Php7 million in the second quarter of 2020 due to a decrease in reservation sales of Federal Land.

Other income declined by 37% from Php0.76 billion to Php0.48 billion with: (1) TMP contributing Php0.13 billion consisting of ancillary income, gain on sale of fixed assets and other income; (2) GT Capital contributing Php0.21 billion comprising dividend income from TMC and gain on FVTPL investments; (3) Federal Land contributing Php0.10 billion comprising real estate forfeitures, management fees and other income; and (4) TMBC contributing Php0.04 billion consisting of ancillary income on finance and insurance commissions and other income.

Cost of goods and services sold declined by 77% from Php33.46 billion to Php7.69 billion with TMP, TMBC and GTCAD completely built-up units and spare parts accounting for Php7.64 billion and the balance coming from Federal Land's petroleum service station business.

Cost of goods manufactured comprising cost of materials, labor and overhead incurred in the assembly of vehicles from TMP decreased by 84% from Php9.33 billion in the second quarter of 2019 to Php1.52 billion in the second quarter of 2020.

General and administrative expenses declined by 13% from Php3.06 billion to Php2.66 billion. TMP accounted for Php1.82 billion consisting of advertisements and promotional expenses, salaries and wages, taxes and licenses and delivery and handling expenses. Federal Land accounted for Php0.47 billion composed of salaries and wages, commission expenses, taxes and licenses and repairs and maintenance expenses. TMBC contributed Php0.27 billion representing salaries and wages, commission expenses and taxes and licenses and advertising and promotional expenses. GT Capital and GTCAD contributed to the remaining balance of Php0.10 billion.

Interest expenses decreased by 6% from Php1.81 billion in the second quarter of 2019 to Php1.70 billion in the second quarter of 2020 with GT Capital, Federal Land, TMP, TMBC and GTCAD accounting for Php1.12 billion, Php0.39 billion, Php0.15 billion, Php0.03 billion and Php0.01 billion, respectively.

Cost of real estate sales declined by 88% from Php1.77 billion to Php0.21 billion relative to the decrease in real estate sales of Federal Land.

Cost of rental grew by 32% from Php0.09 billion to Php0.12 billion due to an increase in expenses relating to leased premises.

Income tax benefit for the second quarter of 2020 amounted to Php0.25 billion from Php1.24 billion provision for income tax in the second quarter on 2019 due to net losses reported in the second quarter of 2020 versus the higher taxable income in the same period of 2019.

Consolidated Statements of Financial Position- As of June 30, 2020 and As of December 31, 2019

| **GT CAPITAL CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** | **Unaudited** | **Audited** | **Increase(Decrease)** | |
|---|---|---|---|---|
| (In Million Pesos, Except for Percentage) | **June 2020** | **December 2019** | **Amount** | **Percent** |
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | **14,677** | 12,133 | 2,544 | 21% |
| Financial assets at fair value through profit or loss | **4,325** | 4,698 | (373) | (8%) |
| Receivables | **9,302** | 13,382 | (4,080) | (30%) |
| Contract assets | **5,533** | 5,095 | 438 | 9% |
| Inventories | **77,693** | 72,189 | 5,504 | 8% |
| Due from related parties | **223** | 209 | 14 | 7% |
| Prepayments and other current assets | **11,396** | 10,416 | 980 | 9% |
| **Total Current Assets** | **123,149** | 118,122 | 5,027 | 4% |
| | | | | |
| **Noncurrent Assets** | | | | |
| Financial assets at fair value through other comprehensive income | **10,990** | 12,373 | (1,383) | (11%) |
| Receivables– net of current portion | **4,456** | 3,421 | 1,035 | 30% |
| Contract assets – net of current portion | **6,164** | 5,556 | 608 | 11% |
| Investment properties | **15,162** | 15,347 | (185) | (1%) |
| Investments in associates and joint ventures | **184,148** | 178,059 | 6,089 | 3% |
| Property and equipment | **12,381** | 13,159 | (778) | (6%) |
| Goodwill and intangible assets | **10,011** | 10,040 | (29) | (0%) |
| Deferred tax assets | **1,224** | 1,141 | 83 | 7% |
| Other noncurrent assets | **1,086** | 436 | 650 | 149% |
| **Total Noncurrent Assets** | **245,622** | 239,532 | 6,090 | 3% |
| | **368,771** | 357,654 | 11,117 | 3% |
| | | | | |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Accounts and other payables | **19,058** | 25,234 | (6,176) | (24%) |
| Contract liabilities | **4,539** | 4,553 | (14) | (0%) |
| Short-term debt | **25,283** | 12,890 | 12,393 | 96% |
| Current portion of long-term debt | **4,974** | 4,974 | – | 0% |
| Current portion of liabilities on purchased properties | **942** | 432 | 510 | 118% |
| Current portion of bonds payable | – | 3,899 | (3,899) | (100%) |
| Customers' deposits | **749** | 560 | 189 | 34% |
| Dividends payable | **4,344** | 589 | 3,755 | 638% |
| Due to related parties | **180** | 204 | (24) | (12%) |
| Income tax payable | **149** | 875 | (726) | (83%) |
| Other current liabilities | **745** | 1,371 | (626) | (46%) |
| **Total Current Liabilities** | **60,963** | 55,581 | 5,382 | 10% |
| | | | | |
| **Noncurrent Liabilities** | | | | |
| Long-term debt – net of current portion | **93,739** | 87,149 | 6,590 | 8% |
| Bonds payable | **15,048** | 15,040 | 8 | 0% |
| Liabilities on purchased properties - net of current portion | **2,642** | 3,352 | (710) | (21%) |
| Pension liabilities | **1,343** | 1,222 | 121 | 10% |
| Deferred tax liabilities | **3,424** | 3,138 | 286 | 9% |
| Other noncurrent liabilities | **3,573** | 2,852 | 721 | 25% |
| **Total Noncurrent Liabilities** | **119,769** | 112,753 | 7,016 | 6% |
| | **180,732** | 168,334 | 12,398 | 7% |

*(forward)*

| GT CAPITAL CONSOLIDATED STATEMENTS OF FINANCIAL POSITION | Unaudited | Audited | Increase(Decrease) | |
|---|---|---|---|---|
| (In Million Pesos, Except for Percentage) | June 2020 | December 2019 | Amount | Percent |
| **EQUITY** | | | | |
| Equity attributable to equity holders of the Parent Company | | | | |
| Capital stock | **3,370** | 3,370 | – | 0% |
| Additional paid-in capital | **98,827** | 98,827 | – | 0% |
| Retained earnings | | | | |
| Unappropriated | **76,017** | 74,569 | 1,448 | 2% |
| Appropriated | **400** | 400 | – | 0% |
| Other comprehensive loss | **(781)** | (2,019) | 1,238 | (61%) |
| Other equity adjustments | **2,322** | 2,322 | – | 0% |
| | **180,155** | 177,469 | 2,686 | 2% |
| Non-controlling interest | **7,884** | 11,851 | (3,967) | (33%) |
| **Total Equity** | **188,039** | 189,320 | (1,281) | (1%) |
| | **368,771** | 357,654 | 11,117 | 3% |

The major changes in GT Capital's consolidated balance sheet from December 31, 2019 to June 30, 2020 are as follows:

Consolidated assets increased by 3% or Php11.12 billion from Php357.65 billion as of December 31, 2019 to Php368.77 billion as of June 30, 2020. Total liabilities increased by 7% or Php12.40 billion from Php168.33 billion to Php180.73 billion while total equity decreased by 1% or Php1.28 billion from Php189.32 billion to Php188.04 billion.

Cash and cash equivalents increased by Php2.54 billion from Php12.13 billion to Php14.68 billion with TMP, Federal Land, GT Capital, GTCAD and TMBC accounting for Php8.76 billion, Php3.51 billion, Php1.93 billion, Php0.26 billion, Php0.22 billion, respectively.

Financial assets at fair value through profit or loss declined by Php0.37 billion from Php4.70 billion to Php4.33 billion due to partial withdrawal of unit investment trust placement by the Parent Company.

Receivables – current dropped by 30% from Php13.38 billion to Php9.30 billion relative to the decline in credit sales during the period.

Contract assets-current increased by 9% from Php5.10 billion to Php5.53 billion due to the excess of the progress of work over the right to an amount of consideration that is unconditional.

Inventories increased by Php5.50 billion from Php72.19 billion to Php77.69 billion attributable to higher inventory from TMP arising from lower sales.

Due from related parties grew by Php14 million due to management fee billings of Federal Land to its related parties.

Prepayments and other current assets increased by 9% from Php10.42 billion to Php11.40 billion due to ad valorem and input VAT taxes on inventory purchases and importation.

Financial assets at fair value through other comprehensive income (FVOCI) declined by 11% or Php1.38 billion due to the Mark-to-Market (MTM) loss on investments in shares of stock.

Non-current receivables increased by 30% from Php3.42 billion to Php4.46 billion due to an increase in long-term receivables of Federal Land.

Non-current contract assets increased by Php0.61 billion from Php5.56 billion to Php6.16 billion due to the excess of the progress of work over the right to an amount of consideration that is unconditional.

Property and equipment declined by 6% or Php0.78 billion due to depreciation and amortization expenses during the period.

Deferred tax assets grew by 7% from Php1.14 billion to Php1.22 billion arising from the recognition of deferred tax from the net operating loss carry over during the period.

Other non-current assets increased from Php0.44 billion to Php1.09 billion comprising long-term deposits, non-current input tax, derivative asset, non-current prepaid rent and other assets from Federal Land, (Php0.90 billion); TMP, (Php0.15 billion); GTCAD, (Php0.01 billion); TMBC, (Php0.02 billion); and GT Capital, (Php0.01 billion).

Accounts and other payables decreased by Php6.18 billion from Php25.23 billion to Php19.06 billion with TMP, Federal Land , TMBC, GT Capital and GTCAD accounting for Php9.76 billion, Php7.22 billion, Php1.75 billion, Php0.27 billion, Php0.06 billion, respectively.

Short-term debt increased by Php12.39 billion from Php12.89 billion to Php25.28 billion to fund the operating activities of our subsidiaries.

Current portion of liabilities on purchased properties increased by Php0.51 billion due to a reclassification from non-current portion.

Current portion of bonds payable decreased by Php3.90 billion due to full settlement of bonds due in February 2020.

Customers' deposit increased by 34% from Php0.56 billion to Php0.75 billion with TMP, TMBC, and GTCAD accounting for Php0.37 billion, Php0.36 billion, Php0.02 billion, respectively.

Dividends payable grew by Php3.76 billion from Php0.59 billion to Php4.34 billion due to dividends payable to minority shareholders, offset by the payment of dividends to Perpetual Preferred Shares (Series A and B) dividends in January and April 2020.

Due to related parties decreased by Php24.31 million from Php204.10 million to Php179.80 million due mainly Federal Land's related parties.

Income tax payable dropped by 83% from Php0.88 billion to Php0.15 billion due to the lower taxable income for the six-month period ending June 30, 2020.

Other current liabilities declined by Php0.63 billion from Php1.37 billion to Php0.74 billion primarily due to the settlement of withholding tax and output tax as of December 31, 2019 which were paid in the first and second quarters of 2020.

Non-current portion of long-term debt grew by 8% from Php87.15 billion to Php93.74 billion due to new loan availments by GT Capital and Federal Land during the period.

Non-current portion of liabilities on purchased properties decreased by Php0.68 billion due to reclassification to current portion.

Pension liabilities grew by Php0.12 billion from Php1.22 billion to Php1.34 billion due to accrual of pension expense during the period.

Deferred tax liabilities increased by 9% from Php3.14 billion to Php3.42 billion mostly pertaining to Federal Land.

Other noncurrent liabilities grew by 25% or Php0.72 billion mainly due to deferred output VAT on sales transaction of GT Capital.

Unappropriated retained earnings increased by Php1.45 billion from Php74.57 billion to Php76.02 billion mainly due to the Php2.74 billion consolidated net income earned attributable to Parent Company in the first half of 2020, net of Php1.29 billion cash dividends declared.

Other comprehensive loss declined by Php1.24 billion from Php2.02 billion to Php0.78 billion primarily due to the marked-to-market gain on financial assets at FVOCI of the Group.

Non-controlling interest (NCI) decreased by 33% from Php11.85 billion to Php7.88 billion largely due to the declaration of cash dividends by subsidiaries which are not wholly-owned.

**Key Performance Indicators (In Million Pesos, except %)**

| **Income Statement** | **June 30, 2019** | **June 30, 2020** |
|---|---|---|
| Total Revenues | 100,748 | 52,621 |
| Net Income attributable to GT Capital Holdings | 7,174 | 2,741 |
| **Balance Sheet** | **December 31, 2019** | **June 30, 2020** |
| Total Assets | 357,654 | 368,803 |
| Total Liabilities | 168,334 | 180,764 |
| Equity attributable to GT Capital Holdings | 177,469 | 180,155 |
| Return on Equity | 9.78%* | 3.41%* |

** Core net income attributable to GT Capital's common stockholders divided by the average equity; where average equity is the sum of equity attributable to GT Capital's common stockholders at the beginning and end of the period/year divided by 2. December 31, 2019 is full year while June 30, 2020 is annualized.*

## Automobile Assembly and Importation, Dealership and Financing

### Toyota Motor Philippines (TMP)

| | In Million Pesos, except for ratios | | Inc (Dec) | % |
|---|---|---|---|---|
| | 1H 2019 | 1H 2020 | | |
| Sales | 76,050.1 | 37,500.4 | (38,549.7) | (50.7%) |
| Gross Profit | 9,231.0 | 4,965.3 | (4,265.7) | (46.2%) |
| Operating Profit | 5,790.4 | 1,288.5 | (4,501.8) | (77.7%) |
| Net income attributable to Parent | 4,345.3 | 994.4 | (3,351.0) | (77.1%) |
| | | | | |
| | FY 2019 | 1H 2020 | Inc (Dec) | % |
| Total Assets | 38,750.9 | 44,054.9 | 5,304.0 | 13.7% |
| Total Liabilities | 23,142.4 | 36,474.0 | 13,331.6 | 57.6% |
| Total Equity | 15,608.4 | 7,580.9 | (8,027.5) | (51.4%) |
| Total Liabilities to Equity ratio* | 1.5x | 4.8x | | |

**Total Liabilities to Equity ratio is a measure of the company's financial leverage which is calculated by dividing total liabilities by total equity*

TMP's consolidated sales declined from Php76.1 billion for the first half of 2019 to Php37.5billion for the first half of 2020 as wholesales volume contracted by 54.1% from 72,794 to 33,392 units. TMP's retail sales volume decreased by 51.5% from 73,454 units to 22,147 units. Retail sales volume outperformed industry which declined by 52.6% from 195,219 to 92,564 units. As a result, TMP market share improved from 37.6% in 2019 to 38.5% in 2020.

The year-on-year decline was largely due to lower vehicle sales volume caused by the Taal Volcano eruption in January and community quarantine restrictions which started in mid-March and extended for the entire second quarter. Top selling vehicles are Vios, Hiace, Hilux, Innova, and Wigo.

Vehicle gross profit margin slightly declined from 9.7% to 9.2% in 2020, pulled by fixed manufacturing costs associated with CKD units. Operating profit margin declined due to lower revenues. Consolidated net income attributable to equity holders saw a 77.1% decline from Php4.3 billion to Php1.0 billion.

As of June 30, 2020, TMP directly owns seven (7) dealer outlets namely Toyota Makati with one (1) branch Toyota Bicutan, Toyota San Fernando in Pampanga with two (2) branches in Plaridel Bulacan and Toyota Tarlac in Tarlac City, Lexus Manila, situated in Bonifacio Global City, Taguig City and Toyota Santa Rosa, situated in Sta. Rosa, Laguna.

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**Toyota Manila Bay Corporation (TMBC)**

| | In Million Pesos, except for ratios | | | |
|---|---|---|---|---|
| | **1H 2019** | **1H 2020** | **Inc (Dec)** | **%** |
| Net Sales | 10,486.5 | 5,376.9 | (5,109.5) | (48.7%) |
| Gross Profit | 738.4 | 459.3 | (279.1) | (37.8%) |
| Net Income* | 95.5 | (83.2) | (178.7) | (187.1%) |
| | | | | |
| | **FY 2019** | **1H 2020** | **Inc (Dec)** | **%** |
| Total Assets | 7,731.5 | 6,246.5 | (1,485.0) | (19.2%) |
| Total Liabilities | 5,233.4 | 3,831.6 | (1,401.8) | (26.8%) |
| Total Equity | 2,498.1 | 2,414.9 | (83.2) | (3.3%) |

**Note: Includes booked commission income from insurance*

Consolidated sales, comprising of vehicle sales, spare parts and maintenance services, decreased by 48.7% from Php10.5 billion in first half of 2019 to Php5.4 billion in first half of 2020. The decline was driven significantly by the community quarantine restrictions which required TMBC to close its dealers starting on the third week of March until the second week of May. Penetration rate improved from 10.9% in first half of 2019 to 11.3% in first half of 2020 as TMBC vehicle sales declined at a slower pace of 49.4% vs total Toyota retail sales volume which fell by 51.5%.

Retail sales volume decreased by 49.4% from 7,974 to 4,034 units leading to a 49.2% decline in vehicle sales. Revenue from spare parts and maintenance services, accounting for a combined 10.6% of revenues, decreased by 43.5%.

TMBC recorded a consolidated net loss from net income of Php93.4 million in first half of 2019 to a net loss of Php83.5 million in 1H 2020 due to lower revenues for the period.

TMBC currently owns five (5) dealer outlets namely Toyota Manila Bay, Toyota Abad Santos, Toyota Cubao and Toyota Marikina, all situated within Metro Manila; and Toyota Dasmariñas in Cavite.

**Toyota Financial Services Philippines Corporation (TFSPC)**

| | In Million Pesos, except for ratios | | | |
|---|---|---|---|---|
| | **1H 2019** | **1H 2020** | **Inc (Dec)** | **%** |
| Gross Interest Income | 3,416.2 | 3,603.1 | 186.9 | 5.5% |
| Net Interest Income | 1,491.6 | 1,715.6 | 224.0 | 15.0% |
| Net Income | 368.1 | 263.3 | (104.8) | (28.5%) |
| | | | | |
| | **1H 2019** | **1H 2020** | **Inc (Dec)** | **%** |
| Total Assets | 80,912.62 | 85,234.20 | 4,321.58 | 5.3% |
| Total Equity | 9,448.48 | 9,485.09 | 36.61 | 0.4% |
| Finance Receivable | 71,020.50 | 78,898.29 | 7,877.8 | 11.1% |

TFSPC recorded a modest 5.5% growth in gross interest income from Php3.4 billion to Php3.6 billion, as finance receivables increased by 11.1% from Php71.0 billion to Php78.9 billion on a year-on-year basis.

Booking volume declined by 32.1% from 16,360 units to 11,102 units attributable to the underperformance in TMP's sales volume brought about by the community quarantine restrictions in March 2020. This, however, resulted in an improved penetration rate from 22.3% to 31.1%.

Net income was at Php263.3 million due to the increase in provision for credit losses as of June caused by the ECQ.

**Sumisho Motor Finance Corporation (SMFC)**

| | In Million Pesos, except for ratios | | | |
|---|---|---|---|---|
| | **1H 2019** | **1H 2020** | **Inc (Dec)** | **%** |
| Gross Interest Income | 759.0 | 986.2 | 227.2 | 29.9% |
| Net Interest Income | 667.6 | 845.0 | 177.4 | 26.6% |
| Net Income | 181.2 | 223.6 | 42.4 | 23.4% |
| | | | | |
| | **FY 2019** | **1H 2020** | **Inc (Dec)** | **%** |
| Total Assets | 7,124.5 | 8,475.0 | 1,350.5 | 19.0% |
| Total Equity | 2,521.1 | 2,567.0 | 46.0 | 1.8% |
| Finance Receivable | 6,854.7 | 7,058.4 | 203.7 | 3.0% |

SMFC recorded a 29.9% growth in gross interest income from Php0.8 billion to Php1.0 billion, as finance receivable increased modestly by 3.0% from Php6.9 billion to Php7.1 billion on a year-on-year basis. Bookings, however, declined by 46.0% from 31,746 units to 17,140 units due to the community quarantine restrictions in March 2020. This was at par with the Philippine motorcycle industry performance, which fell by the same rate from 831,564 units to 450,719 units.

As a result, net income increased by 23.4% from Php181.2 million to Php223.6 million due to the increase in net interest income by 26.6% from Php667.6 million to Php845.0 million partially offset by increases in provision for credit losses, salaries, taxes and licenses.

**Banking**

| | In Billion Pesos, except for percentages and ratios | | | |
|---|---|---|---|---|
| | 1H 2019 | 1H 2020 | Inc (Dec) | % |
| Net income attributable to equity holders | 13.03 | 9.13 | (3.9) | (29.9) |
| Net interest margin on average earning assets | 3.83% | 4.24% | | 0.41% |
| Operating efficiency ratio | 55.7% | 45.0% | | (10.7%) |
| Return on average assets | 1.2% | 0.8% | | (0.4%) |
| Return on average equity | 9.0% | 5.8% | | (3.2%) |

| | FY 2019 | 1H 2020 | Inc (Dec) | % |
|---|---|---|---|---|
| Total assets | 2,450.8 | 2,321.26 | (129.6) | (5.3%) |
| Total liabilities | 2,132.3 | 1,989.5 | (142.8) | (6.7%) |
| Equity attributable to equity holders of the parent company | 309.6 | 322.6 | 13.1 | 4.2% |
| Tier 1 capital adequacy ratio | 16.2% | 18.7% | | 2.5% |
| Total capital adequacy ratio | 17.5% | 20.0% | | 2.5% |
| Non-performing loans ratio | 1.3% | 1.6% | | 0.3% |
| Non-performing loans coverage ratio | 103.0% | 188.0% | | 85.0% |

Notes:

(1) Operating efficiency ratio is the ratio of total operating expenses (excluding provisions for credit and impairment loss and income tax) to total operating income (excluding share in net income of associates and joint venture).

(2) Return on average asset is the net income attributable to equity holders of the parent company divided by the average total assets

(3) Return on average equity is the net income attributable to equity holders of the parent company divided by the average total equity attributable to equity holders of the parent company

(4) Capital adequacy ratios as of December 31, 2016, 2017 and 2018 were computed based on Basel III standards.

(5) Non-performing loans ratio is the ratio of net non-performing loans divided by total loans – excluding interbank loans.

(6) Non-performing loans coverage ratio is the ratio of the total allowance for probable losses on loans divided by gross non-performing loans

Metrobank's consolidated net income declined by 29.9% from Php13.0 billion for the first half of 2019 to Php9.1 billion for the first half of 2020. Net interest income grew by 21.8%, comprising 67.7% of total operating income. This was primarily driven by the expansion in net interest margin from 3.83% to 4.24% due to higher CASA ratio at 69.5% of total deposits. Likewise, non-interest income increased significantly by 54.6% from Php13.7 billion for the first half of 2019 to Php21.2 billion for the first half of 2020 due to the higher net trading and foreign exchange gains by 262.5% partially offset by 16.3% decline in service charges, fees and commissions. The growth in total operating income by Php15.5 billion or 30.8% from Php50.2 billion for the first half of 2019 to Php65.7 billion for the first half of 2020 was further tempered by the increase in provisions to Php22.8 billion for the first half of 2020.

Total assets went down from Php2.45 trillion as of December 31, 2019 to Php2.32 trillion as of June 30, 2020 due to decline in loans and receivables, investment securities, interbank loans receivable and securities purchased under resale agreements, cash and other cash items, and other assets, offset by increases in due from Bangko Sentral ng Pilipinas.

Total liabilities also declined from Php2.13 trillion to Php1.99 trillion due to decreases in deposit liabilities, bills payable and securities sold under repurchase agreements, manager's checks and demand drafts outstanding, accrued interest and other expenses and deferred tax liabilities, offset by increases in derivative liabilities, income taxes payable and bonds payable.

Equity attributable to equity holders of the parent company rose by 4.2% from Php309.6 billion as of December 31, 2019 to Php322.6 billion as of June 30, 2020 due to net income reported during the period and the higher net unrealized gain recognized on FVOCI securities partially reduced by the Php4.5 billion cash dividends paid during the year.

**Property Development**

**Federal Land Inc.**

| | **In Million Pesos, except for percentages and ratios** | | | |
|---|---|---|---|---|
| | **1H 2019** | **1H 2020** | **Inc(Dec)** | **%** |
| Real estate sales* | 4,789.8 | 2,965.5 | (1,824.3) | (38.1%) |
| Revenues | 6,075.6 | 4,243.5 | (1,832.1) | (30.2%) |
| Net income attributable to equity holders of the parent | 412.9 | 170.9 | (232.9) | (58.2%) |
| | | | | |
| | **FY2019** | **1H 2020** | **Inc(Dec)** | **%** |
| Total assets | 92,319.1 | 101,405.1 | 9,086.0 | 9.8% |
| Total liabilities | 55,169.2 | 64,182.9 | 9,013.7 | 16.3% |
| Total equity attributable to equity holders of the parent | 37,039.4 | 37,222.2 | 72.3 | 0.2% |
| Current ratio[1] | 2.3x | 2.4x | | |
| Debt to equity ratio[2] | 1.0x | 1.1x | | |

** Includes interest income on real estate sales*

*Notes:*

*(1) Current ratio is the ratio of total current assets divided by total current liabilities.*

*(2) Debt to equity ratio is the ratio of total loans divided by total equity attributable to equity holders of the parent company*

Federal Land's reservation sales grew by 2.5% from Php8.9 billion for the first half of 2019 to Php9.1 billion for the first half of 2020 due to strong sales from The Seasons Residences - Natsu and Haru, The Estate, Grand Hyatt Residences II and Quantum Residences - Amethyst.

Real estate sales and revenues declined by 38.1% and 30.2%, respectively, due to slower construction growth and sales take-up of projects as an effect of the community quarantine restrictions which started mid-March of 2020. This has also affected the net income attributable to equity holders of the parent which reached Php0.2 billion for the first half of 2020.

Total assets of Federal Land grew from Php92.3 billion as of December 31, 2019 to Php101.4 billion as of June 30, 2020. The asset expansion was mainly driven by increases in inventories as a result of land banking and receivables from real estate buyers.

**Property Company of Friends, Inc.**

On July 4, 2019, the Philippine Competition Commission approved the redemption of PCFI shares in exchange for selected assets. Realized net gain on redemption was Php2.3 billion. PCFI was then deconsolidated in the financial statements of GT Capital (see Note 5 of the Interim Condensed Consolidated Financial Statements).

**Life and Non-Life Insurance**

**Philippine AXA Life Insurance Corporation and Subsidiary (AXA Philippines)**

The following are the major performance measures used by AXA Philippines and Subsidiary for the first half of 2019 and 2020.

| In Million Pesos, except ratios | Consolidated | | | |
|---|---|---|---|---|
| | **1H 2019** | **1H 2020** | **Inc (Dec)** | **%** |
| Gross Premiums | 14,975.3 | 16,654.9 | 1,679.7 | 11.2% |
| Net income after tax | 1,174.3 | 1,509.9 | 335.6 | 28.6% |
| | **FY 2019** | **1H 2020** | **Inc (Dec)** | **%** |
| Total Assets | 142,168.3 | 134,667.1 | (7,501.2) | (5.3%) |
| Total Liabilities | 130,416.0 | 121,169.3 | (9,246.7) | (7.1%) |
| Total Equity | 11,752.3 | 13,497.9 | 1,745.6 | 14.9% |
| **In Million Pesos, except ratios** | **Life (Stand-alone)** | | | |
| | **1H 2019** | **1H 2020** | **Inc (Dec)** | **%** |
| Gross Premiums | 12,183.7 | 14,106.1 | 1,922.4 | 15.8% |
| Net income after tax | 1,565.4 | 1,200.5 | (364.9) | (23.3%) |
| | **FY 2019** | **1H 2020** | **Inc (Dec)** | **%** |
| Total Assets | 132,278.6 | 126,332.1 | (5,946.5) | (4.5%) |
| Total Liabilities | 119,268.6 | 111,969.2 | (7,299.4) | (6.1%) |
| Total Equity | 13,010.0 | 14,362.9 | 1,352.9 | 10.4% |
| Solvency ratio[1] | 435% | 396% | | |

*Notes:*

*(1) Solvency ratio is calculated as the insurance company's net worth divided by the Risk-based Capital (RBC) requirement of the Insurance Commission based on Memorandum Circular (IMC) No. 6-2006. Net worth shall include the company's paid-up capital, contributed and contingency surplus, and unassigned surplus.*

New business from life insurance expressed in Annualized Premium Equivalent declined by 31.4% from Php3.5 billion for the first half of 2019 to Php2.4 billion for the first half of 2020. Such was driven by the 40.9% decline in Regular Premium, partially offset by the 47.6% growth in Single Premium. The lower sales production was attributable to the limited mobility of agents and lower foot traffic in banks as an effect of the quarantine restrictions which started in mid-March 2020. Despite the decline in Regular Premium, Protection and Health line increased by 1.2% as its flagship products continued to grow year-on-year. The reported premium revenue mix of life insurance changed from 31%/69% (Single Premium vs. Regular Premium) for the first half of 2019 to 40%/60% for the first half of 2020. By distribution platform, bancassurance, sales agency and corporate solutions accounted for 62%, 34% and 4% of premium revenues, respectively.

Gross written premiums of CPAIC declined from Php2.7 billion for the first half of 2019 to Php1.9 billion for the first half of 2020. The quarantine restrictions resulted in limited mobility, lower consumer spending and ban in travels which affected CPAIC's sales across all lines of business.

Consolidated net income grew by 28.6% from Php1.2 billion for the first half of 2019 to Php1.5 billion for the first half of 2020. The improvement in consolidated net income is attributable to CPAIC which reported a net income of Php0.3 billion for the first half of 2020 from a net loss of Php0.4 billion for the first half of 2019 due to lower net losses, reinsurance cost and management expenses, and tax benefits from usage of NOLCO. Conversely, AXA Philippines's net income declined from Php1.6 billion for the first half of 2019 to P1.2 billion for the first half of 2020 due to unrealized losses from equity investments.

## Infrastructure and Utilities

### Metro Pacific Investments Corporation (MPIC)

| | In Million Pesos, except for Percentage | | | |
|---|---|---|---|---|
| | **1H 2019** | **1H 2020** | **Inc (Dec)** | **%** |
| Core net income | 8,668 | 5,337 | (3,331) | (38%) |
| Net income attributable to equity holders | 8,108 | 3,027 | (5,081) | (63%) |
| | | | | |
| | **FY 2019** | **1H 2020** | **Inc (Dec)** | **%** |
| Total assets | 611,778 | 620,804 | 9,026 | 1% |
| Total liabilities | 365,733 | 371,553 | 5,820 | 2% |
| Total equity attributable to owners of Parent Company | 190,962 | 189,346 | (1,616) | (1%) |

MPIC's share in the consolidated operating core net income decreased by 31% from Php11.2 billion for the first half of 2019 to Php7.7 billion for the first half of 2020 owing largely to the economic contraction brought about by the quarantine restrictions. Specifically, the decline was driven by the following:

- Reduced traffic on toll roads; Core net income contribution of Metro Pacific Tollways Corporation (MPTC) to MPIC was Php0.9 billion;
- Limited light rail services; Light Rail Manila Corporation (LRMC) contributed a net loss of Php0.1 billion to MPIC;
- Decreased commercial and industrial demand for power and water; MPIC's power business, which includes Manila Electric Company (Meralco) and Global Business Power Corporation (GBPC) contributed Php5.2 billion while Maynilad Water Services (Maynilad) contributed Php1.8 billion; and,
- Lower share in the earnings of the hospital business after the sell-down of interest to KKR & Co.

Reported net income attributable to equity holders declined by 63% from Php8.1 billion for the first half of 2019 to Php3.0 billion for the first half of 2020 due to the provisioning in full of the carrying value of Meralco's investment in Pacific Light Power. Excluding non-recurring income or expenses, MPIC reported a core income of Php5.3 billion for the first half of 2020 from Php8.7 billion for the first half of 2019.

Except for (ii), (iv) and (vii), the Company does not know of:

(i) Any known trends or any known demands, commitments, events, uncertainties that will result or that are reasonably likely in the Company's liquidity increasing or decreasing in any material way;

(ii) Any events that would trigger direct or contingent financial obligation (including contingent obligation) that is material to the Company, including any default or acceleration of an obligation except those disclosed in the notes to the financial statements;

(iii) Any material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;

(iv) Any material commitments for capital expenditures, their purpose and sources of funds for such expenditures, except those discussed in the 2019 17A;

(v) Any known trends, events or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;

(vi) Any significant elements of income or loss that did not arise from the Company's continuing operations;

(vii) The causes of any material change from period to period including vertical and horizontal analysis of any material item, the causes of material changes are discussed in the Item 2, Management's Discussion & Analysis of Financial Condition and Results of operations under Part I - Financial Information ; and

(viii) Any seasonal aspects that had a material effect on financial condition or results of operation of the Company

**GT CAPITAL HOLDINGS, INC.**
**AGING OF ACCOUNTS RECEIVABLE**
**IN MILLION PESOS**
**AS OF JUNE 30, 2020**

| Number of Days | Amount |
|---|---|
| **Less than 30 days** | **Php1,178** |
| **30 days to 60 days** | **364** |
| **61 days to 90 days** | **358** |
| **91 days to 120 days** | **888** |
| **Over 120 days** | **407** |
| **Current** | **6,162** |
| **Impaired** | **200** |
| **Noncurrent receivables** | **4,456** |
| **Total** | **Php14,013** |

## PART II – OTHER INFORMATION

I. Control of Registrant

The following stockholders own more than 5% of the total issued and outstanding common shares of the Company as of June 30, 2020:

| Name Of Stockholder | Total Number Of Shares Held | Percent To Total Number Of Shares Issued |
|---|---|---|
| Grand Titan Capital Holdings, Inc. | 120,413,658 | 55.932% |
| PCD Nominee-Non Filipino | 56,212,116 | 26.111% |
| PCD Nominee-Filipino | 37,960,188 | 17.633% |

II. Board Resolutions

There is no material disclosure that have not been reported under SEC Form 17-C during the period covered by this report.

**SIGNATURES**

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

Issuer: **GT Capital Holdings, Inc.**

Signature and Title:

**Reyna Rose P. Manon-og**
Head, Accounting and Financial Control

**Francisco H. Suarez, Jr.**
Chief Finance Officer

Date: August 14, 2020

ANNEX A

# GT Capital Holdings, Inc. and Subsidiaries

## Interim Condensed Consolidated Financial Statements

As of June 30, 2020 (Unaudited) and December 31, 2019 (Audited) and for the six-month periods June 30, 2020 and 2019 (Unaudited)

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**(In Millions)**

| | Unaudited June 30, 2020 | Audited December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | **₱14,677** | ₱12,133 |
| Financial assets at fair value through profit or loss (FVTPL) | **4,325** | 4,698 |
| Receivables | **9,302** | 13,382 |
| Contract assets | **5,533** | 5,095 |
| Inventories | **77,693** | 72,189 |
| Due from related parties | **223** | 209 |
| Prepayments and other current assets | **11,396** | 10,416 |
| **Total Current Assets** | **123,149** | 118,122 |
| | | |
| **Non Current Assets** | | |
| Financial assets at fair value through other comprehensive income (FVOCI) | **10,990** | 12,373 |
| Receivables – net of current portion | **4,456** | 3,421 |
| Contract assets – net of current portion | **6,164** | 5,556 |
| Investment properties | **15,162** | 15,347 |
| Investments in associates and joint ventures | **184,148** | 178,059 |
| Property and equipment | **12,381** | 13,159 |
| Goodwill and intangible assets | **10,011** | 10,040 |
| Deferred tax assets | **1,224** | 1,141 |
| Other noncurrent assets | **1,086** | 436 |
| **Total Noncurrent Assets** | **245,622** | 239,532 |
| | **₱368,771** | ₱357,654 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts and other payables | **₱19,058** | ₱25,234 |
| Contract liabilities | **4,539** | 4,553 |
| Short term debt | **25,283** | 12,890 |
| Current portion of long-term debt | **4,974** | 4,974 |
| Current portion of liabilities on purchased properties | **942** | 432 |
| Current portion of bonds payable | **–** | 3,899 |
| Customers' deposits | **749** | 560 |
| Dividends payable | **4,344** | 589 |
| Due to related parties | **180** | 204 |
| Income tax payable | **149** | 875 |
| Other current liabilities | **745** | 1,371 |
| **Total Current Liabilities** | **60,963** | 55,581 |
| | | |
| **Noncurrent Liabilities** | | |
| Long-term debt – net of current portion | **93,739** | 87,149 |
| Bonds payable | **15,048** | 15,040 |
| Liabilities on purchased properties - net of current portion | **2,642** | 3,352 |
| Pension liabilities | **1,343** | 1,222 |
| Deferred tax liabilities | **3,424** | 3,138 |
| Other noncurrent liabilities | **3,573** | 2,852 |
| **Total Noncurrent Liabilities** | **119,769** | 112,753 |
| | **180,732** | 168,334 |

*(forward)*

| | Unaudited June 30, 2020 | Audited December 31, 2019 |
|---|---|---|
| **EQUITY** | | |
| Equity attributable to equity holders of the Parent Company | | |
| Capital stock | **₱3,370** | ₱3,370 |
| Additional paid-in capital | **98,827** | 98,827 |
| Retained earnings | | |
| Unappropriated | **76,017** | 74,569 |
| Appropriated | **400** | 400 |
| Other comprehensive loss | **(781)** | (2,019) |
| Other equity adjustments | **2,322** | 2,322 |
| | **180,155** | 177,469 |
| Non-controlling interest | **7,884** | 11,851 |
| **Total Equity** | **188,039** | 189,320 |
| | **₱368,771** | ₱357,654 |

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**
**(In Millions, Except Earnings Per Share)**

| | UNAUDITED | | | |
|---|---|---|---|---|
| | January to June | | April to June | |
| | **2020** | 2019 (Restated) | **2020** | 2019 (Restated) |
| **REVENUE** | | | | |
| Automotive operations | **₱43,331** | ₱86,992 | **₱10,551** | ₱48,226 |
| Equity in net income of associates and joint ventures | **4,245** | 6,457 | **1,570** | 3,170 |
| Real estate sales and interest income on real estate sales | **2,966** | 4,790 | **579** | 2,993 |
| Rent income | **709** | 620 | **296** | 317 |
| Sale of goods and services | **233** | 330 | **62** | 154 |
| Interest income | **122** | 265 | **61** | 141 |
| Commission income | **74** | 137 | **7** | 64 |
| Other income | **941** | 1,157 | **476** | 757 |
| | **52,621** | 100,748 | **13,602** | 55,822 |
| **COST AND EXPENSES** | | | | |
| Cost of goods and services sold | **30,063** | 60,276 | **7,687** | 33,460 |
| Cost of goods manufactured | **7,980** | 17,003 | **1,522** | 9,328 |
| General and administrative expenses | **5,798** | 5,854 | **2,662** | 3,064 |
| Interest expense | **3,237** | 3,095 | **1,699** | 1,810 |
| Cost of real estate sales | **1,544** | 2,883 | **212** | 1,766 |
| Cost of rental | **253** | 202 | **120** | 91 |
| | **48,875** | 89,313 | **13,902** | 49,519 |
| **INCOME (LOSS) BEFORE INCOME TAXES FROM CONTINUING OPERATIONS** | **3,746** | 11,435 | **(300)** | 6,303 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** | **518** | 2,137 | **(253)** | 1,238 |
| **NET INCOME (LOSS) FROM CONTINUING OPERATIONS** | **3,228** | 9,298 | **(47)** | 5,065 |
| **NET INCOME FROM DISCONTINUED OPERATIONS** | – | 243 | – | 18 |
| **NET INCOME (LOSS)** | **₱3,228** | ₱9,541 | **(₱47)** | ₱5,083 |
| **ATTRIBUTABLE TO:** | | | | |
| **Equity holders of the Parent Company** | | | | |
| Profit for the year from continuing operations | **₱2,741** | ₱7,050 | **₱197** | ₱3,742 |
| Profit for the year from discontinued operations | – | 124 | – | 9 |
| | **2,741** | 7,174 | **197** | 3,751 |
| **Non-controlling interests** | | | | |
| Profit (loss) for the year from continuing operations | **487** | 2,248 | **(244)** | 1,323 |
| Profit for the year from discontinued operations | – | 119 | – | 9 |
| | **487** | 2,367 | **(244)** | 1,332 |
| | **₱3,228** | ₱9,541 | **(₱47)** | ₱5,083 |
| **Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company** | **₱11.37** | ₱31.96 | | |

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
(In Millions)

| | UNAUDITED | | | |
|---|---|---|---|---|
| | January to June | | April to June | |
| | **2020** | 2019 (Restated) | **2020** | 2019 (Restated) |
| **NET INCOME (LOSS) FROM CONTINUING OPERATIONS** | **₱3,228** | ₱9,298 | **(₱47)** | ₱5,064 |
| **NET INCOME FROM DISCONTINUED OPERATIONS** | **–** | 243 | **–** | 19 |
| **NET INCOME (LOSS)** | **3,228** | 9,541 | **(47)** | 5,083 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| ***Items that may be reclassified to profit or loss in subsequent periods:*** | | | | |
| Changes in cumulative translation adjustments | **(4)** | (1) | **(8)** | (1) |
| Changes in cash flow hedge reserves | **(5)** | (14) | **(2)** | (5) |
| Equity in other comprehensive income of associates: | | | | |
| Cash flow hedge reserves | **(82)** | (209) | **(138)** | (132) |
| Remeasurement on life insurance reserves | **(186)** | (4) | **(104)** | 17 |
| Translation adjustment | **(343)** | (485) | **(376)** | (322) |
| | **(620)** | (713) | **(628)** | ( 443) |
| ***Items that may not be reclassified to profit or loss in subsequent periods:*** | | | | |
| Changes in fair value of financial assets at FVOCI | **(1,396)** | 425 | **419** | 627 |
| Equity in changes in fair value of financial assets at FVOCI | **3,457** | 2,406 | **5,546** | 921 |
| Remeasurement of defined benefit plans | **(1)** | 1 | **–** | (9) |
| Equity in remeasurement of defined benefit plans of associates | **(291)** | (71) | **642** | (68) |
| Income tax effect | **88** | 21 | **(193)** | 23 |
| | **1,857** | 2,782 | **6,414** | 1,494 |
| **OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS** | **1,237** | 2,069 | **5,786** | 1,051 |
| **OTHER COMPREHENSIVE LOSS FROM DISCONTINUED OPERATIONS** | **–** | (220) | **–** | (87) |
| **TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX** | **1,237** | 1,849 | **5,786** | 964 |
| **TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX** | **₱4,465** | ₱11,390 | **₱5,739** | ₱6,047 |
| **ATTRIBUTABLE TO:** | | | | |
| **Equity holders of the Parent Company** | | | | |
| Total comprehensive income for the year from continuing operations | **₱3,979** | ₱9,106 | **₱5,988** | ₱4,787 |
| Total comprehensive income (loss) for the year from discontinued operations | **–** | 12 | **–** | (34) |
| | **3,979** | 9,118 | **5,988** | 4,753 |
| **Non-controlling interests** | | | | |
| Total comprehensive income (loss) for the year from continuing operations | **486** | 2,263 | **(249)** | 1,330 |
| Total comprehensive income (loss) for the year from discontinued operations | **–** | 9 | **–** | (36) |
| | **486** | 2,272 | **( 249)** | 1,294 |
| | **₱4,465** | ₱11,390 | **₱5,739** | ₱6,047 |

## GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## AS OF JUNE 30, 2020 AND 2019 (UNAUDITED)
(In Millions)

| | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Capital Stock** | **Additional Paid-in Capital** | **Unappropriated Retained Earnings** | **Appropriated Retained Earnings** | **Other Comprehensive Income (Loss)** | **Other Equity Adjustment** | **Total** | **Non-controlling Interests** | **Total** |
| **At January 1, 2020** | **₱3,370** | **₱98,827** | **₱74,569** | **₱400** | **(₱2,019)** | **₱2,322** | **₱177,469** | **₱11,851** | **₱189,320** |
| Total comprehensive income | – | – | **2,741** | – | **1,238** | – | **3,979** | **486** | **4,465** |
| Dividends declared | – | – | **(1,293)** | – | – | – | **(1,293)** | **(4,453)** | **(5,746)** |
| Reversal of appropriation | – | – | – | – | – | – | – | – | – |
| **At June 30, 2020** | **₱3,370** | **₱98,827** | **₱76,017** | **₱400** | **(₱781)** | **₱2,322** | **₱180,155** | **₱7,884** | **₱188,039** |

| | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Additional Paid-in Capital | Stock Dividend Distributable | Unappropriated Retained Earnings | Appropriated Retained Earnings | Other Comprehensive Income (Loss) | Other Equity Adjustment | Total | Non-controlling Interests | Total |
| At January 1, 2019 | ₱3,211 | ₱85,592 | – | ₱53,459 | ₱17,000 | (₱4,207) | ₱2,322 | ₱157,377 | ₱24,910 | ₱182,287 |
| Total comprehensive income (Restated) | – | – | – | 7,174 | – | 1,944 | – | 9,118 | 2,272 | 11,390 |
| Dividends declared | – | – | – | (599) | – | – | – | (599) | (4,140) | (4,739) |
| Stock dividend distributable | – | – | 13,635 | (13,635) | – | – | – | – | – | – |
| Effect of equity call of a majority owned subsidiary | – | – | – | – | – | – | – | – | 148 | 148 |
| Reversal of appropriation | – | – | – | 16,600 | (16,600) | – | – | – | – | – |
| At June 30, 2019 (Restated) | ₱3,211 | ₱85,592 | ₱13,635 | ₱62,999 | ₱400 | (2,263) | ₱2,322 | ₱165,896 | ₱23,190 | ₱189,086 |

## GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

| | Unaudited | |
|---|---|---|
| | For the Six Months Ended June 30 | |
| | **2020** | 2019 (Restated) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income before income tax from continuing operations | **₱3,746** | ₱11,435 |
| Income before income tax from discontinued operations | **–** | 339 |
| Adjustments for: | | |
| Interest expense | **3,237** | 3,095 |
| Depreciation and amortization | **998** | 1,184 |
| Pension expense | **154** | 103 |
| Provision for impairment losses | **20** | 41 |
| Gain on disposal of property and equipment | **(2)** | (3) |
| Unrealized gain on financial assets at FVTPL | **(61)** | (54) |
| Unrealized foreign exchange losses (gain) | **(102)** | 2 |
| Dividend income | **(174)** | (176) |
| Interest income | **(901)** | (1,181) |
| Equity in net income of associates and joint ventures | **(4,245)** | (6,457) |
| Operating income before changes in working capital | **2,670** | 8,328 |
| Decrease (increase) in: | | |
| Short-term investments | **–** | (2) |
| Receivables | **3,114** | (3,004) |
| Contract assets | **(1,046)** | 2,791 |
| Due from related parties | **(14)** | (201) |
| Inventories | **(5,159)** | (3,624) |
| Financial assets at FVTPL | **441** | 201 |
| Prepayments and other current assets | **(979)** | (277) |
| Increase (decrease) in: | | |
| Accounts and other payables | **(6,217)** | 3,100 |
| Contract liabilities | **(13)** | (351) |
| Customers' deposits | **189** | 23 |
| Due to related parties | **(24)** | (46) |
| Other current liabilities | **(637)** | (266) |
| Cash provided by operations | **(7,675)** | 6,672 |
| Interest received | **861** | 1,368 |
| Interest paid | **(3,200)** | (2,653) |
| Contributions to pension plan | **(34)** | (65) |
| Dividends received | **2,209** | 1,996 |
| Dividends paid | **(1,991)** | (5,081) |
| Income taxes paid | **(1,273)** | (1,868) |
| Net cash provided by operating activities | **(11,103)** | 369 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from sale of property and equipment | **2** | 13 |
| Additions to: | | |
| Property and equipment | **(303)** | (1,104) |
| Investments in associates and joint ventures | **(1,247)** | (106) |
| Intangible assets | **(24)** | (12) |
| Investment properties | **(51)** | (654) |
| Decrease (increase) in other noncurrent asset | **(415)** | (492) |
| Net cash used in investing activities | **(2,038)** | (2,355) |

*(Forward)*

| | Unaudited | |
|---|---|---|
| | For the Six Months Ended June 30 | |
| | **2020** | 2019 (Restated) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from loan availments | **₱29,085** | ₱16,895 |
| Payment of loans payable | **(10,143)** | (14,243) |
| Payment of bonds payable | **(3,900)** | – |
| Payment of liabilities on purchased properties | **(201)** | (140) |
| Increase (decrease) in: | | |
| Other noncurrent liabilities | **742** | (139) |
| Noncontrolling interests | – | 148 |
| Net cash (used in) provided by financing activities | **15,583** | 2,521 |
| Effect of exchange rate changes on cash and cash equivalents | **102** | (2) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **2,544** | 533 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | **12,133** | 14,353 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **₱14,677** | ₱14,886 |

## GENERAL NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

GT Capital Holdings, Inc. (GT Capital or the Parent Company) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on July 26, 2007. The primary purpose of the Parent Company is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop or otherwise dispose of real property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned.

The common shares of the Parent Company were listed beginning April 20, 2012 and have since been traded in the Philippine Stock Exchange, Inc. (PSE).

Group Activities

The Parent Company, Federal Land, Inc. (Federal Land) and Subsidiaries (Federal Land Group), Toyota Motor Philippines Corporation (Toyota or TMPC) and Subsidiaries (Toyota Group), Toyota Manila Bay Corp. (TMBC) and Subsidiary (TMBC Group) and GT Capital Auto Dealership Holdings, Inc. (GTCAD) and Subsidiaries (GTCAD Group) are collectively referred herein as the "Group". The Parent Company, which is the ultimate parent of the Group, the holding company of the Federal Land Group (real estate business), Toyota Group (automotive business), TMBC Group (automotive business) and GTCAD (automotive business) is engaged in investing, purchasing and holding shares of stock, notes and other securities and obligations.

The principal business interests of the Federal Land Group are real estate development and leasing and selling properties and acting as a marketing agent for and in behalf of any real estate development company or companies. The Federal Land Group is also engaged in the business of trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintaining a petroleum service station and food and restaurant service.

Toyota Group is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of motor vehicles including vehicle parts, accessories and instruments.

TMBC Group is engaged in purchasing, trading, exchanging, distributing, marketing, repairing and servicing automobiles, trucks and all kinds of motor vehicles and automobile products of every kind and description, motor vehicle parts, accessories, tools and supplies and equipment items.

The principal business interests of GTCAD are to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop, or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any auto dealership or other corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned.

The Parent Company also has significant shareholdings in Metropolitan Bank & Trust Company (MBTC or Metrobank), Metro Pacific Investments Corporation (MPIC), Philippine AXA Life Insurance Corporation (AXA Philippines or Phil AXA), Toyota Financial Services Philippines Corporation (TFSPC) and Sumisho Motor Finance Corporation (SMFC).

The registered office address of the Parent Company is at the 43rd Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa Street, 1227 Makati City.

## 2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34 Interim Financial Reporting. Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Group's annual audited financial statements as at December 31, 2019.

The interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments, which have been measured at fair value. The Group's interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All values are rounded to the nearest million pesos (₱000,000) unless otherwise indicated.

Statement of Compliance

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

Presentation of Financial Statements

Financial assets and financial liabilities are offset and the net amount reported in the interim condensed consolidated statements of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense are not offset in the interim condensed consolidated statements of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of Consolidation

The interim condensed consolidated financial statements of the Group comprise the financial statements of the Parent Company and the following domestic subsidiaries:

| | Country of Incorporation | Percentages of Ownership | |
|---|---|---|---|
| | | **June 30, 2020** | December 31, 2019 |
| Federal Land and Subsidiaries | Philippines | **100.00** | 100.00 |
| Toyota and Subsidiaries | -do- | **51.00** | 51.00 |
| TMBC and Subsidiaries | -do- | **58.10** | 58.10 |
| GTCAD and Subsidiaries | -do- | **100.00** | 100.00 |

Federal Land's Subsidiaries

| | Percentages of Ownership | |
|---|---|---|
| | **2020** | 2019 |
| Horizon Land Property and Development Corp. (HLPDC) | **100.00** | 100.00 |
| Federal Property Management Corp. (FPMC)* | **100.00** | 100.00 |
| Federal Land Orix Corporation (FLOC) | **100.00** | 100.00 |
| Topsphere Realty Development Company Inc. (TRDCI) | **100.00** | 100.00 |
| Bonifacio Landmark Hotel Management Corporation (BLHMC) | **100.00** | 100.00 |
| Fed South Dragon Corporation (FSDC) | **100.00** | 100.00 |
| Federal Retail Holdings, Inc. (FRHI)** | **100.00** | 100.00 |
| Magnificat Resources Corp. (MRC)*** | **100.00** | 100.00 |
| Central Realty and Development Corp. (CRDC) | **75.80** | 75.80 |
| Federal Brent Retail, Inc. (FBRI) | **51.66** | 51.66 |

** Formerly Omni Orient Management Corp. Amended Articles of Incorporation was approved by the SEC on October 25, 2019.*
*** On April 30, 2019, FRHI was incorporated and has not started its commercial business operations.*
**** In September 2019, the Group increased ownership from 49.10% to 100.00% thereby obtaining control over Magnificat.*

Toyota's Subsidiaries

| | Percentages of Ownership | |
|---|---|---|
| | **2020** | 2019 |
| Toyota Makati, Inc. (TMI) | **100.00** | 100.00 |
| Toyota Sta. Rosa Laguna, Inc. (TSRLI) | **100.00** | 100.00 |
| Toyota Motor Philippines Logistics, Inc. (TLI) | **100.00** | 100.00 |
| Lexus Manila, Inc. (LMI) | **75.00** | 75.00 |
| Toyota San Fernando Pampanga, Inc. (TSFI) | **55.00** | 55.00 |

LMI has investments in LMI Insurance Agency, Inc. (LIAI), a company incorporated in the Philippines and primarily engaged in business as a non-life insurance agency, acting as general agents, managers or promoters for any insurance company in connection with the latter's non-life insurance business.

TMBC's Subsidiaries

| | Percentages of Ownership | |
|---|---|---|
| | **2020** | 2019 |
| Oxfordshire Holdings, Inc. (OHI) | **100.00** | 100.00 |
| TMBC Insurance Agency Corporation (TIAC) | **100.00** | 100.00 |

GTCAD's Subsidiaries

| | Percentages of Ownership | |
|---|---|---|
| | **2020** | 2019 |
| Toyota Subic, Inc. (TSI)* | **55.00** | 55.00 |
| GT Mobility Ventures, Inc. (GTMV)** | **66.67** | 66.67 |

** TSI was incorporated on July 14, 2016 and started its commercial business operations on November 8, 2018.*
*** On January 31, 2019, GTMV was incorporated and has not started its commercial business operations.*

On September 9, 2019, the SEC approved GTMV's increase in authorized capital stock, from 1,000,000 shares with par value of ₱1.00 per share to 600,000,000 shares with par value of ₱1.00 per share. GTCAD and Mitsui & Co. Ltd. (Mitsui) have subscribed to the increase in the authorized capital stock of GTMV and has paid for such subscription amounting to ₱99,750,000 and ₱50,000,000, respectively. This resulted to a change in GTCAD's direct holdings in GTMV from 100% to 66.67%.

In February 2019, the Parent Company remitted ₱100.00 million to GTCAD to fund the latter's investment in a used car auction business which was completed in March 2019. GTCAD, through GTMV, a joint venture between the Company and Mitsui, formed JBA Philippines with auction house operator Japan Bike Auction Co., Ltd. ("JBA"). 60% of JBA Philippines will be controlled by GTMV while 40% will be owned by JBA.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Parent Company.

Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intragroup transactions, balances, income and expenses resulting from intragroup transactions and dividends are eliminated in full on consolidation.

Non-controlling interests (NCI) represent the portion of profit or loss and net assets in a subsidiary not attributed, directly or indirectly, to the Parent Company. The interest of non-controlling shareholders may be initially measured at fair value or share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, NCI consists of the amount attributed to such interests at initial recognition and the NCI's share of changes in equity since the date of combination.

NCI are presented separately in the interim condensed consolidated statements of income, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and within equity in the interim condensed consolidated statements of financial position, separately from the Parent Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the NCI, even if that results in the NCI having a deficit balance.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any NCI and the cumulative translation differences, recorded in equity;
- recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and

- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business Combinations Involving Entities Under Common Control

A business combination involving entities under common control is accounted for using the uniting of interest method, except when the acquisition is deemed to have commercial substance for the Group, in which case the business combination is accounted for under the acquisition method. The combined entities accounted for by the uniting of interests method reports the results of operations for the period in which the combination occurs as though the entities had been combined as of the beginning of the period. Financial statements of the separate entities presented for prior years are also restated on a combined basis to provide comparative information. The effects of intercompany transactions on assets, liabilities, revenues, and expenses for the periods presented, and on retained earnings at the beginning of the periods presented are eliminated to the extent possible.

Under the uniting of interest method, the acquirer accounts for the combination as follows:

- the assets and liabilities of the acquiree are consolidated using the existing carrying values instead of fair values;
- intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the acquiree in accordance with applicable PFRS;
- no amount is recognized as goodwill;
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities; and
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

The acquiree's equity are included in the opening balances of the equity as a restatement and are presented as 'Effect of uniting of interest' in the interim condensed consolidated statements of changes in equity. Cash considerations transferred on acquisition of a subsidiary under common control are deducted in the 'Retained earnings' at the time of business combination.

When evaluating whether an acquisition has commercial substance, the Group considers the following factors, among others:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as NCI or other third parties; and
- whether or not the transaction is conducted at fair value.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer elects whether to measure the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the date of acquisition. Acquisition-related costs are expensed and included in the interim condensed consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and liabilities of the acquiree for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. The Group also assesses whether assets or liabilities of the acquiree that are previously unrecognized in the books of the acquiree will require separate recognition in the interim condensed consolidated financial statements of the Group at the acquisition date.

In a business combination achieved in stages, the Group remeasures its previously-held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in the interim condensed consolidated statements of income. Any recognized changes in the value of its equity interest in the acquiree previously recognized in other comprehensive income are recognized by the Group in profit or loss, as if the previously-held equity interests are disposed of.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized either in the interim condensed consolidated statements of income or as changes to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that if known, would have affected the amounts recognized as at that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one (1) year.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount recognized for any NCI in the acquiree and the fair value of the acquirer's previously-held interest, if any, over the fair value of the net assets acquired.

If after reassessment, the fair value of the net assets acquired exceeds the consideration transferred, the amount recognized for any NCI in the acquiree and the fair value of the acquirer's previously-held interest, if any, the difference is recognized immediately in the interim condensed consolidated statements of income as 'Gain on bargain purchase'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment loss is recognized immediately in the interim condensed consolidated statements of income and is not subsequently reversed. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination from the acquisition date irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is not amortized but is reviewed for impairment at least annually. Any impairment losses are recognized immediately in profit or loss and are not subsequently reversed.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Change in Ownership without Loss of Control
Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling interest and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

Changes in Accounting Policies
The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2019, except for the adoption of the following amended standards, which became effective beginning January 1, 2020.

*Amendments*
Amendments to PFRS 3, *Business Combinations - 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. These amendments will apply to future business combinations of the Group.

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 judgements.

The adoption of these amended standards did not have significant impact on the financial statements of the Group.

**Significant Accounting Policies**

Leases
In 2019, the Group assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right-of-use the underlying assets.

*ROU assets*
The Group recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received.

The useful lives of the ROU assets are as follows:

| | |
|---|---|
| Land | 50 years |
| Office space | 2 to 3 years |

*Lease liabilities*
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

The Group's lease liabilities are included in Other Current Liabilities and Other Noncurrent Liabilities.

*Short-term leases and leases of low-value assets*
The Group applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of other equipment that are considered to be of low value (i.e., those with value of less than ₱250,000). Lease payments on short-term leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

*Residual value of leased assets and deposits on lease contracts*
The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

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

<u>Fair Value Measurement</u>
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 the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

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

<u>Financial Instruments</u>

*Date of recognition*

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

*a. Financial assets*

*Initial recognition of financial instruments*

At initial recognition, financial assets are classified as, and subsequently measured at amortized cost, FVOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables, except for sales contract receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

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

The Group'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.

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

*Financial assets at amortized cost*
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, short-term investments and receivables.

*FVOCI (debt instruments)*
The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have debt instruments at FVOCI.

*Financial assets designated at FVOCI (equity instruments)*
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets can no longer be recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group's financial assets at FVOCI include investments in quoted and unquoted equity instruments.

*Financial assets at FVTPL*
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes investment in UITF.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

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

For other financial assets such nontrade receivable, loans receivable, due from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a SICR since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group’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. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

The key inputs in the model include the Group’s definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 120 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

*Determining the stage for impairment*
At each reporting date, the Group assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a SICR when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

*b. 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.

The Group's financial liabilities include "Accounts and other payables" (other than "Taxes payable" which is covered by other accounting standard), "Short-term and long-term debts", "Bonds payable", "Liabilities on purchased properties" and "Other current liabilities".

*Subsequent measurement*
The measurement of financial liabilities depends on their classification, as described below:

*Loans and borrowings*
This is the category most relevant to the Group. 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 consolidated statement of income.

This category generally applies to short-term debt, long-term debt, bonds payable and liabilities on purchased properties.

*Financial liabilities at FVTPL*
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.

Derecognition

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

*Offsetting Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

*Derivative Financial Instruments and Hedge Accounting*

*Initial Recognition and Subsequent Measurement*

The Group uses derivative financial instruments such as cross-currency swaps, and interest rate swaps to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or,
- Cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

Hedges are accounted for as fair value hedges or cash flow hedges.

*Fair Value Hedge*

The change in the fair value of a hedge instrument is recognized in the consolidated statement of income. The change in the fair value attributable to the risk hedged is recorded as part of the carrying value of the hedge instrument and is also recognized in the consolidated statement of income as other expense.

For fair value hedges carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization is initiated when an adjustment exists and no later than when the hedged instrument ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

In case of derecognition, the unamortized fair value of the hedged instrument is recognized immediately in profit or loss.

*Cash Flow Hedges*
The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the consolidated statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged instrument.

The amounts accumulated in OCI are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which hedged cash flows affect profit or loss.

If hedge accounting is discontinued, the amount accumulated in OCI shall remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount shall be reclassified to profit or loss as a reclassification adjustment. When the hedged cash flow occurs, any amount remaining in accumulated OCI shall be accounted for depending on the nature of the underlying transaction.

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

Standards Issued But Not Yet Effective

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

*Effective beginning on or after January 1, 2021*

PFRS 17, *Insurance Contracts*

PFRS 17 provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and introduces consistent accounting for all insurance contracts based on a current measurement model. The standard is effective for annual periods beginning on or after January 1, 2021. Early application is permitted but only if the entity also applies PFRS 9 *Financial Instruments* and PFRS 15 *Revenue from Contracts with Customers*.

*Deferred effectivity*

Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - 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. On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Restatement of unaudited balances as of June 30, 2019

IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

The IFRIC agenda decision changed the Group's practice of capitalizing borrowing costs on real estate projects with pre-selling activities. As such, the unaudited balances as of June 30, 2019 were restated to reflect the change in accounting treatment. The restatement have impacted interest expense, cost of real estate sales, provision for deferred income tax, real estate inventories, deferred tax liability and retained earnings.

3. **Cash and cash equivalents**

This account consists of:

| | June 30, 2020 | June 30, 2019 | December 31, 2019 |
|---|---|---|---|
| Cash on hand | **₱14** | ₱33 | ₱65 |
| Cash in banks and other financial institution | **5,093** | 5,499 | 4,452 |
| Cash equivalents | **9,570** | 9,354 | 7,616 |
| | **₱14,677** | ₱14,886 | ₱12,133 |

4. **Investments**

Financial assets at fair value through profit or loss (FVTPL)
This pertains to the Parent Company's investments in Unit Investment Trust Fund (UITF) as of June 30, 2020.

Financial assets at fair value through other comprehensive income (FVOCI)
This pertains mainly to the Parent Company's investment in common shares of Toyota Motor Corporation (TMC).

5. **Investments in subsidiaries, associates and joint ventures**

Disposal of Investment in PCFI
On May 10, 2019 the Parent Company and PCFI executed a Redemption Agreement for the redemption, cancellation and retirement of the 64,530,712 Series A Redeemable Voting Preferred Shares with a par value of ₱10.00 per share of PCFI, representing 51% interest of the Parent Company in PCFI. The Parent Company and PCFI have agreed to the redemption price of ₱20.00 billion through the assignment, transfer and conveyance of the selected assets owned and/or beneficially owned by PCFI to the Parent Company. On July 4, 2019, Philippine Competition Commission approved the Redemption Agreement of the Parent Company and PCFI. Accordingly, the financial statements of PCFI were deconsolidated from the consolidated financial statements of the Group as of that date. On October 18, 2019, the Parent Company and PCFI executed a Deed of Assignment to assign, transfer and convey the selected assets of PCFI to the Parent Company.

PFRS 5 requires income and expenses from disposal group to be presented separately from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the interim condensed consolidated statements of income. The resulting profit after taxes from the operations of PCFI amounting to ₱243.28 million is reported separately in the statement of income under "Net Income from Discontinued Operations". In the first half of 2019, each profit or loss item was previously consolidated and presented on a line-by-line basis prior to the approval of PCC in July 2019.

Investment in MBTC
On various dates in 2020, the Parent Company acquired an aggregate of 22.11 million common shares of Metrobank for a total consideration of ₱1.24 billion. This increased the Parent Company's ownership interest in Metrobank from 36.65% to 37.15%.

In October 2019, the Parent Company received stock dividends equivalent to a total of 189.22 million common shares of Metrobank.

On various dates in 2019, the Parent Company acquired an aggregate of 12.66 million common shares of Metrobank for a total consideration of ₱836.53 million. This increased the Parent Company's ownership interest in Metrobank from 36.36% to 36.65%.

The following table summarizes cash dividends declared and paid by the Group's associates and joint ventures (amount in millions, except for dividend per share):

| | Declaration Date | Per Share | Total | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2020 | | | | | |
| MBTC | February 19, 2020 | ₱1.00 | ₱4,497 | March 6, 2020 | March 20, 2020 |
| MPIC | February 26, 2020 | 0.076 | 2,399 | March 12, 2020 | March 20, 2020 |
| SMFC | June 26, 2020 | 8.88 | 178 | June 26, 2020 | July 17, 2020 |
| 2019 | | | | | |
| MBTC | February 13, 2019 | ₱1.00 | ₱3,980 | March 1, 2019 | March 14, 2019 |
| MPIC | March 5, 2019 | 0.076 | 2,395 | March 20, 2019 | April 3, 2019 |
| MPIC | August 1, 2019 | 0.0345 | 1,087 | August 19, 2019 | August 30, 2019 |
| Phil AXA | November 6, 2019 | 40.9008 | 409 | October 24, 2019 | December 17, 2019 |
| SMFC | June 21, 2019 | 6.56 | 131 | June 21, 2019 | July 19, 2019 |

## 6. Loans Payable

This account consists of:

| | June 30, 2020 | | | | |
|---|---|---|---|---|---|
| | | Long-term debt | | | |
| | Short-term debt | Corporate notes | Loans payable | Subtotal | Total |
| Parent Company | **₱–** | **₱–** | **₱ 67,791** | **₱67,791** | **₱67,791** |
| Federal Land Group | **9,700** | **4,850** | **25,274** | **30,124** | **39,824** |
| Toyota Group | **14,903** | **–** | **246** | **246** | **15,149** |
| TMBC Group | **570** | **–** | **943** | **943** | **1,513** |
| GTCAD Group | **110** | **–** | **–** | **–** | **110** |
| | **25,283** | **4,850** | **94,254** | **99,104** | **124,387** |
| Less: Deferred financing cost | **–** | **–** | **391** | **391** | **391** |
| | **25,283** | **4,850** | **93,863** | **98,713** | **123,996** |
| Less: Current portion of long-term debt | **–** | **3,885** | **1,089** | **4,974** | **4,974** |
| | **₱25,283** | **₱965** | **₱92,774** | **₱93,739** | **₱119,022** |

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | | Long-term debt | | | |
| | Short-term debt | Corporate notes | Loans payable | Subtotal | Total |
| Parent Company | ₱– | ₱– | ₱63,790 | ₱63,790 | ₱63,790 |
| Federal Land Group | 8,580 | 4,850 | 22,586 | 27,436 | 36,016 |
| Toyota Group | 2,270 | – | 246 | 246 | 2,516 |
| TMBC Group | 1,855 | – | 1,021 | 1,021 | 2,876 |
| GTCAD Group | 185 | – | – | – | 185 |
| | 12,890 | 4,850 | 87,643 | 92,493 | 105,383 |
| Less: Deferred financing cost | – | – | 370 | 370 | 370 |
| | 12,890 | 4,850 | 87,273 | 92,123 | 105,013 |
| Less: Current portion of long-term debt | – | 3,885 | 1,089 | 4,974 | 4,974 |
| | ₱12,890 | ₱965 | ₱86,184 | ₱87,149 | ₱100,039 |

7. **Bonds Payable**

This account consists of the following Peso Bonds:

| | | | **Carrying Value** | |
|---|---|---|---|---|
| Maturity Dates | Interest rate | Par Value | **June 30, 2020** | December 31, 2019 |
| ₱10.0 billion Bonds | | | | |
| February 27, 2020 | 4.8371% | ₱3,900 | **₱–** | ₱3,899 |
| February 27, 2023 | 5.0937% | 6,100 | **6,079** | 6,076 |
| | | 10,000 | **6,079** | 9,975 |
| ₱12.0 billion Bonds | | | | |
| November 7, 2019 | 4.7106% | 3,000 | – | – |
| August 7, 2021 | 5.1965% | 5,000 | **4,990** | 4,986 |
| August 7, 2024 | 5.6250% | 4,000 | **3,979** | 3,978 |
| | | 12,000 | **8,969** | 8,964 |
| | | 22,000 | **₱15,048** | ₱18,939 |

Unamortized debt issuance costs on these bonds amounted to ₱51.65 million and ₱60.96 million as of June 30, 2020 and December 31, 2019, respectively.

The P3.90 billion bonds with maturity date of February 27, 2020 were paid. This was refinanced in February 2020 with a long-term loan from a non-affiliated local bank.

The P3.00 billion bonds with maturity date of November 7, 2019 were paid. This was refinanced in November 2019 with a long-term loan from a non-affiliated local bank.

## 8. **Equity**

*Retained earnings*

Details of the Parent Company's dividend distributions to preferred shareholders out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

| Date of declaration | Per share | Total amount (in millions) | Record date | Payment date |
|---|---|---|---|---|
| *Voting preferred shares* | | | | |
| May 21, 2020 | ₱0.00377 | ₱0.66 | June 5, 2020 | June 19, 2020 |
| March 26, 2019 | 0.00377 | 0.66 | April 10, 2019 | April 25, 2019 |
| March 16, 2018 | 0.00377 | 0.66 | April 4, 2018 | April 13, 2018 |
| *Perpetual Preferred Shares* | | | | |
| Series A | | | | |
| November 26, 2019 | 11.57475 | 56.01 | January 3, 2020 | January 27, 2020 |
| November 26, 2019 | 11.57475 | 56.01 | April 3, 2020 | April 27, 2020 |
| November 26, 2019 | 11.57475 | 56.01 | July 3, 2020 | July 27, 2020 |
| November 26, 2019 | 11.57475 | 56.01 | October 5, 2020 | October 27, 2020 |
| December 6, 2018 | 11.57475 | 56.01 | January 3, 2019 | January 28, 2019 |
| December 6, 2018 | 11.57475 | 56.01 | April 3, 2019 | April 29, 2019 |
| December 6, 2018 | 11.57475 | 56.01 | July 3, 2019 | July 29, 2019 |
| December 6, 2018 | 11.57475 | 56.01 | October 3, 2019 | October 28, 2019 |
| Series B | | | | |
| November 26, 2019 | 12.73725 | 91.21 | January 3, 2020 | January 27, 2020 |
| November 26, 2019 | 12.73725 | 91.21 | April 3, 2020 | April 27, 2020 |
| November 26, 2019 | 12.73725 | 91.21 | July 3, 2020 | July 27, 2020 |
| November 26, 2019 | 12.73725 | 91.21 | October 5, 2020 | October 27, 2020 |
| December 6, 2018 | 12.73725 | 91.21 | January 3, 2019 | January 28, 2019 |
| December 6, 2018 | 12.73725 | 91.21 | April 3, 2019 | April 29, 2019 |
| December 6, 2018 | 12.73725 | 91.21 | July 3, 2019 | July 29, 2019 |
| December 6, 2018 | 12.73725 | 91.21 | October 3, 2019 | October 28, 2019 |

Details of the Parent Company's dividend distributions to common shareholders out of the Parent Company's retained earnings as approved by the Parent Company's BOD follow:

| Date of declaration | Per share | Total amount | Record date | Payment date |
|---|---|---|---|---|
| May 21, 2020 | ₱3.00 | ₱645.85 | June 5, 2020 | June 19, 2020 |
| May 21, 2020* | 3.00 | 645.85 | June 5, 2020 | June 19, 2020 |
| March 26, 2019 | 3.00 | 598.01 | April 10, 2019 | April 25, 2019 |
| March 16, 2018 | 3.00 | 577.53 | April 4, 2018 | April 13, 2018 |

**Special cash dividends.*

*Stock Dividends*

The BOD and Shareholders of the Parent Company approved on March 26, 2019 and May 8, 2019, respectively, the declaration of an 8.0% stock dividend in favor of the Parent Company's common shareholders. The record and payment dates were set on July 8, 2019 and August 1, 2019, respectively. On August 1, 2019, the 8.0% stock dividend equivalent to 15,947,003 common shares were issued and listed in the Philippine Stock Exchange.

*Other Comprehensive Loss*

Other comprehensive loss consists of the following, net of applicable income taxes:

| | **June 30, 2020** | June 30, 2019 | December 31, 2019 |
|---|---|---|---|
| Net unrealized gain (loss) on financial assets at FVOCI | **(₱398)** | (₱323) | ₱999 |
| Net unrealized loss on remeasurement of retirement plan | **(291)** | (103) | (290) |
| Cash flow hedge reserve | **(57)** | (76) | (53) |
| Cumulative translation adjustments | **(4)** | – | (2) |
| Equity in other comprehensive income of associates: | | | |
| Equity in net unrealized gain (loss) on financial assets at FVOCI | **5,643** | 2,075 | 2,186 |
| Equity in remeasurement on life insurance reserves | **(168)** | 182 | 18 |
| Equity in net unrealized loss on remeasurement of retirement plan | **(1,661)** | (761) | (1,457) |
| Equity in cumulative translation adjustments | **(3,568)** | (3,158) | (3,225) |
| Equity in cash flow hedge reserves | **(283)** | (104) | (201) |
| Equity in other equity adjustments | **6** | 6 | 6 |
| | **(₱781)** | (₱2,262) | (₱2,019) |

The movements and analysis of the other comprehensive loss are presented in the interim condensed consolidated statements of comprehensive income.

9. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. These related parties include subsidiaries, associates, joint venture, key management personnel, stockholders and other related parties which include affiliates.

An entity is considered an affiliate if such entity and the Parent Company have common shareholders. In effect, such entity is a sister company of the Parent Company by virtue of ownership and common control. It is neither a subsidiary nor associate of the Group.

The Group, in its regular conduct of its business, has entered into transactions with its associates, joint venture and other related parties principally consisting of cash advances for reimbursement of expenses, merger and acquisitions and capital infusion, leasing agreements, management agreements and dividends received from associates. Transactions with related parties are made at normal market prices.

As of June 30, 2020 and December 31, 2019, outstanding balances are unsecured and settlement occurs generally in cash, except otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

## 10. Basic/Diluted Earnings Per Share

The basic/diluted earnings per share from **continuing operations** attributable to equity holders of the Parent Company for the periods indicated were computed as follows:

| | | **June 30, 2020** | June 30, 2019 (Restated) | December 31, 2019 |
|---|---|---|---|---|
| a.) | Net income attributable to equity holders of the Parent Company from continuing operations | **₱2,741** | ₱7,050 | ₱16,586 |
| b.) | Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company | **(294)** | (294) | (589) |
| c.) | Net income attributable to common shareholders of the Parent Company from continuing operations | **2,447** | 6,756 | 15,997 |
| d.) | Weighted average number of outstanding common shares of the Parent Company, as previously reported | **–** | 199 | – |
| e.) | Basic/diluted earnings per share, as previously reported (c / d) | **₱–** | ₱33.89 | ₱– |
| f.) | Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018 and 2019 | **215** | 215 | 215 |
| g.) | Basic/diluted earnings per share, as restated (c/f) | **₱11.37** | ₱31.39 | ₱74.31 |

The basic/diluted earnings per share from **disposal group** attributable to equity holders of the Parent Company for the periods indicated were computed as follows:

| | | **June 30, 2020** | June 30, 2019 (Restated) | December 31, 2019 |
|---|---|---|---|---|
| a.) | Net income attributable to equity holders of the Parent Company | **₱–** | ₱124 | ₱3,723 |
| b.) | Weighted average number of outstanding common shares of the Parent Company, as previously reported | **–** | 199 | – |
| c.) | Basic/diluted earnings per share, as previously reported (a / b) | **₱–** | ₱0.62 | ₱– |
| d.) | Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018 and 2019 | **215** | 215 | 215 |
| e.) | Basic/diluted earnings per share, as restated (a / d) | **₱–** | ₱0.57 | ₱17.28 |

The basic/diluted earnings per share attributable to equity holders of the Parent Company for the periods indicated were computed as follows:

| | | **June 30, 2020** | June 30, 2019 (Restated) | December 31, 2019 |
|---|---|---|---|---|
| a.) | Net income attributable to equity holders of the Parent Company | **₱2,741** | ₱7,174 | ₱20,309 |
| b.) | Effect of dividends declared to voting and perpetual preferred shareholders of the Parent Company | **(294)** | (294) | (589) |
| c.) | Net income attributable to common shareholders of the Parent Company | **2,447** | 6,880 | 19,720 |
| d.) | Weighted average number of outstanding common shares of the Parent Company, as previously reported | **–** | 199 | – |
| e.) | Basic/diluted earnings per share, as previously reported (c / d) | **₱–** | ₱34.51 | ₱– |
| f.) | Weighted average number of outstanding common shares of the Parent Company, including effect of stock dividend issued in 2018 | **215** | 215 | 215 |
| g.) | Basic/diluted earnings per share, as restated (c / f) | **₱11.37** | ₱31.96 | ₱91.60 |

**Restated to show the effect of stock dividends distributed in 2019*

Basic earnings per share (EPS) is computed by dividing net income for the year attributable to common shareholders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and exercised during the year. Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

## 11. **Operating Segments**

Segment Information

For management purposes, the Group is organized into business units based on their products and activities and has four reportable segments as follows:

- Real estate is engaged in real estate and leasing, development and selling of properties of every kind and description, as well as ancillary trading of goods such as petroleum, non-fuel products on wholesale or retail basis, maintenance of a petroleum service station, engaging in food and restaurant service and acting as a marketing agent for and in behalf of any real estate development company or companies;
- Financial institutions are engaged in the banking and insurance industry;
- Automotive operations is engaged in the assembly, manufacture, importation, sale and distribution of all kinds of automobiles including automobile parts, accessories, and instruments; and
- Infrastructure is engaged in the water distribution, toll operation, power sector, hospitals and rail;
- Others pertain to other corporate activities of the Group (i.e., capital raising activities, acquisitions and investments).

The chief operating decision maker (CODM) monitors the operating results of the Group for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, taxes and depreciation/amortization (EBITDA) and pretax income which are measured similarly under PFRS, except for EBITDA. EBITDA is computed by reconciling net interest income (expense) and provision for income taxes to the net income and adding back depreciation and amortization expenses for the period.

Seasonality of Operations

The operations of the Group are not materially affected by seasonality, except for the mall leasing operations of the real estate segment which experiences higher revenues during the holiday seasons. This information is provided to allow for a proper appreciation of the results of the Group's operations. However, management concluded that the aforementioned discussions of seasonality do not constitute "highly seasonal" as considered in PAS 34.

Segment Assets

Segment assets are resources owned by each of the operating segments that are employed in its operating activities.

Segment Liabilities

Segment liabilities are obligations incurred by each of the operating segments from its operating activities.

The following tables present the financial information of the operating segments of the Group as of and for the quarter ended June 30, 2020 and as of and for the year ended December 31, 2019:

| | June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | **Real Estate** | **Financial Institution** | **Automotive Operations** | **Infra structure** | **Others** | **Total** |
| Revenue | **₱2,187** | **₱–** | **₱43,331** | **₱–** | **₱–** | **₱45,518** |
| Other income | **1,314** | **–** | **427** | **–** | **216** | **1,957** |
| Equity in net income of associates and joint ventures | **(64)** | **3,845** | **–** | **464** | **–** | **4,245** |
| | **3,437** | **3,845** | **43,758** | **464** | **216** | **51,720** |
| Cost of goods and services sold | **185** | **–** | **29,878** | **–** | **–** | **30,063** |
| Cost of goods manufactured and sold | **–** | **–** | **7,980** | **–** | **–** | **7,980** |
| Cost of rental | **253** | **–** | **–** | **–** | **–** | **253** |
| Cost of real estate sales | **1,544** | **–** | **–** | **–** | **–** | **1,544** |
| General and administrative expenses | **1,233** | **–** | **4,417** | **–** | **148** | **5,798** |
| | **3,215** | **–** | **42,275** | **–** | **148** | **45,638** |
| Earnings before interest and taxes | **222** | **3,845** | **1,483** | **464** | **68** | **6,082** |
| Depreciation and amortization | **235** | **–** | **759** | **–** | **5** | **999** |
| EBITDA | **457** | **3,845** | **2,242** | **464** | **73** | **7,081** |
| Interest income | **783** | **–** | **91** | **–** | **27** | **901** |
| Interest expense | **(747)** | **–** | **(255)** | **–** | **(2,235)** | **(3,237)** |
| Depreciation and amortization | **(235)** | **–** | **(759)** | **–** | **(5)** | **(999)** |
| Pretax income | **258** | **3,845** | **1,319** | **464** | **(2,140)** | **3,746** |
| Provision for income tax | **(109)** | **–** | **(398)** | **–** | **(11)** | **(518)** |
| Income after tax | **₱149** | **₱3,845** | **₱922** | **₱464** | **(₱2,151)** | **₱3,228** |
| Segment assets | **₱94,448** | **₱135,223** | **₱63,610** | **₱36,570** | **₱38,920** | **₱368,771** |
| Segment liabilities | **₱58,634** | **₱–** | **₱37,993** | **₱–** | **₱ 84,105** | **₱180,732** |

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Real Estate | Financial Institution | Automotive Operations | Infra structure | Others | Total |
| Revenue | ₱7,982 | ₱– | ₱192,966 | ₱– | ₱– | ₱200,948 |
| Other income | 3,299 | – | 1,337 | – | 473 | 5,109 |
| Equity in net income of associates and joint venture | 2 | 10,948 | – | 3,628 | – | 14,578 |
| | 11,283 | 10,948 | 194,303 | 3,628 | 473 | 220,635 |
| Cost of goods and services sold | 657 | – | 133,286 | – | – | 133,943 |
| Cost of goods manufactured and sold | – | – | 36,819 | – | – | 36,819 |
| Cost of rental | 435 | – | – | – | – | 435 |
| Cost of real estate sales | 5,340 | – | – | – | – | 5,340 |
| General and administrative expenses | 2,977 | – | 10,216 | – | 402 | 13,595 |
| | 9,409 | – | 180,321 | – | 402 | 190,132 |
| Earnings before interest and taxes | 1,874 | 10,948 | 13,982 | 3,628 | 71 | 30,503 |
| Depreciation and amortization | 459 | – | 1,950 | – | 8 | 2,417 |
| EBITDA | 2,333 | 10,948 | 15,932 | 3,628 | 79 | 32,920 |
| Interest income | 1,870 | – | 222 | – | 213 | 2,305 |
| Interest expense | (1,319) | – | (704) | – | (4,430) | (6,453) |
| Depreciation and amortization | (459) | – | (1,950) | – | (8) | (2,417) |
| Pretax income | 2,425 | 10,948 | 13,500 | 3,628 | (4,146) | 26,355 |
| Provision for income tax | (813) | (3) | (4,076) | – | (165) | (5,057) |
| Net income from continuing Operations | 1,612 | 10,945 | 9,424 | 3,628 | (4,311) | 21,298 |
| Net income from discontinued Operations | 3,814 | – | – | – | – | 3,814 |
| Net income | ₱5,426 | ₱10,945 | ₱9,424 | ₱3,628 | (₱4,311) | ₱25,112 |
| Segment assets | ₱90,315 | ₱128,712 | ₱60,085 | ₱36,951 | ₱41,591 | ₱357,654 |
| Segment liabilities | ₱54,006 | ₱– | ₱31,009 | ₱– | ₱83,319 | ₱168,334 |

Geographical Information

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

| | **June 30, 2020** | June 30, 2019 | December 31, 2019 |
|---|---|---|---|
| Domestic | **₱50,268** | ₱97,007 | ₱ 215,907 |
| Foreign | **2,353** | 3,741 | 7,033 |
| | **₱52,621** | ₱100,748 | ₱222,940 |

## 12. **Financial Risk Management and Objectives**

The Group's principal financial instruments are composed of cash and cash equivalents, short-term investments, receivables, due from related parties, financial assets at FVOCI, financial assets at FVTPL, accounts and other payables, due to/from related parties, loans payable and derivative asset.

Exposure to credit, liquidity, foreign currency and interest rate risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

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

The use of financial derivative instruments (if any) is solely for the management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's respective financing and treasury functions focus on managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

Credit risk

The Group's credit risks are primarily attributable to its financial assets. To manage credit risks, the Group maintains defined credit policies and monitors on a continuous basis its exposure to credit risks. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Financial assets comprise of cash and cash equivalents, receivables, due from related parties and financial assets at FVOCI. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations.

In respect of installment receivables from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

*Maximum exposure to credit risk after taking into account collateral held or other credit enhancements*

As of June 30, 2020 and December 31, 2019, the maximum exposure to credit risk of the Group's financial assets is equal to its carrying value except for installment contracts receivable with nil exposure to credit risk since the fair value of the related collateral is greater than the carrying value of the installment contracts receivable.

Liquidity risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Group's businesses. To serve as back-up liquidity, management develops variable funding alternatives either by issuing debt or raising capital.

The table summarizes the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments:

| | June 30, 2020 (Unaudited) | | | |
|---|---|---|---|---|
| | **< 1 year** | **> 1 to < 5 years** | **> 5 years** | **Total** |
| Financial assets | | | | |
| Cash and cash equivalents* | **₱14,663** | **₱–** | **₱–** | **₱14,663** |
| Receivables | **9,716** | **3,359** | **–** | **13,075** |
| Due from related parties | **223** | **–** | **–** | **223** |
| Financial assets at FVTPL | | | | |
| Investments in UITF | **4,325** | **–** | **–** | **4,325** |
| Financial assets at FVOCI | | | | |
| Equity securities | | | | |
| Quoted | **–** | **–** | **10,777** | **10,777** |
| Unquoted | **–** | **–** | **213** | **213** |
| Total undiscounted financial assets | **₱28,927** | **₱3,359** | **₱10,990** | **₱43,276** |
| Other financial liabilities | | | | |
| Accounts and other payables | **₱15,319** | **₱1,146** | **₱–** | **₱16,465** |
| Dividends payable | **4,344** | **–** | **–** | **4,344** |
| Loans payable | **35,029** | **52,285** | **72,404** | **159,718** |
| Bonds payable | **796** | **16,340** | **–** | **17,136** |
| Due to related parties | **180** | **–** | **–** | **180** |
| Liabilities on purchased properties | **342** | **3,276** | **–** | **3,618** |
| Derivative liabilities | **–** | **57** | **–** | **57** |
| Total undiscounted financial liabilities | **₱56,010** | **₱73,104** | **₱72,404** | **₱201,518** |
| Liquidity Gap | **(₱27,083)** | **(₱69,745)** | **(₱61,414)** | **(₱158,242)** |

**Excludes cash on hand amounting to ₱14 million.*

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | < 1 year | > 1 to < 5 years | > 5 years | Total |
| Financial assets | | | | |
| Cash and cash equivalents* | ₱12,068 | ₱– | ₱– | ₱12,068 |
| Receivables | 13,739 | 835 | – | 14,574 |
| Due from related parties | 209 | – | – | 209 |
| Financial assets at FVTPL | | | | |
| Investments in UITF | 4,698 | – | – | 4,698 |
| Financial assets at FVOCI | | | | |
| Equity securities | | | | |
| Quoted | – | – | 12,160 | 12,160 |
| Unquoted | – | – | 213 | 213 |
| Total undiscounted financial assets | ₱30,714 | ₱835 | ₱12,373 | ₱43,922 |
| Other financial liabilities | | | | |
| Accounts and other payables | ₱22,277 | ₱1,263 | ₱– | ₱23,540 |
| Dividends payable | 589 | – | – | 589 |
| Loans payable | 22,199 | 37,051 | 79,391 | 138,641 |
| Bonds payable | 4,725 | 16,738 | – | 21,463 |
| Due to related parties | 204 | – | – | 204 |
| Liabilities on purchased properties | 432 | 2,396 | 799 | 3,627 |
| Derivative liabilities | – | – | 53 | 53 |
| Total undiscounted financial liabilities | ₱50,426 | ₱ 57,448 | ₱80,243 | ₱188,117 |
| Liquidity Gap | (₱19,712) | (₱56,613) | (₱67,870) | (₱144,195) |

**Excludes cash on hand amounting to ₱64.95 million.*

*Foreign currency risk*
Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's foreign currency-denominated financial instruments primarily consist of cash and cash equivalents, accounts receivable and accounts payable. The Group's policy is to maintain foreign currency exposure within acceptable limits.

*Interest rate risk*
The Group's interest rate exposure management policy centers on reducing the Group's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and maintaining a debt portfolio mix of both fixed and floating interest rates. The portfolio mix is a function of historical, current trend and outlook of interest rates, volatility of short-term interest rates, the steepness of the yield curve and degree of variability of cash flows.

## 13. **Fair Value Measurement**

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

*Cash and cash equivalents and short-term cash investments*
The fair value of cash and cash equivalents approximate the carrying amounts at initial recognition due to the short-term maturities of these instruments.

*Receivables*
The fair value of receivables due within one year approximates its carrying amounts. The fair values of installment contracts receivable are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 8.00% to12.00% as of June 30, 2020 and December 31, 2019. For the long-term loan receivable, the Group used discounted cash flow analyses to measure the fair value of the loan and determined that the carrying amount of the loans receivable was not materially different from its calculated fair value.

*Due from and to related parties*
The carrying amounts approximate fair values due to its short term nature. Related party receivables and payables are due and demandable.

*Financial assets at FVTPL*
These pertain to the Group's investment in UITFs. UITFs are ready-made investments that allow pooling of funds from different investors with similar investments objectives. These UITFs are managed by professional fund managers and may be invested in various financial instruments such as money market securities, bonds and equities, which are normally available to large investors only. A UITF uses the mark-to-market method in valuing the fund's securities.

*Financial assets at FVOCI – unquoted*
The fair value of unquoted equity securities is estimated based on the market data approach that makes use of market multiples derived from a set of comparables. Multiples were determined that is most relevant to assessing the value of unquoted securities (e.g., earnings, book value). The selection of the appropriate multiple within the range is based on qualitative and quantitative factors specific to the measurement.

*Financial assets at FVOCI – quoted*
The fair value of quoted equity securities is based on the quoted market prices or binding dealer price quotations, without any deduction for transaction cost.

*Accounts and other payables*
The fair values of accounts and other payables approximate the carrying amounts due to the short-term nature of these transactions.

*Loans payable*
Current portion of loans payable approximates its fair value due to its short-term maturity. Long-term portion of loans payable subjected to quarterly repricing is not discounted. Estimated fair value of long-term loans payable with fixed interest rates are discounted based on interest rates ranging from 0.085% to 7.35% as of June 30, 2020 and December 31, 2019.

*Derivative asset/Derivative liability*
The fair value of the interest rate swap is derived using acceptable valuation methods. The valuation assumptions are based on market conditions existing at the financial reporting date.

*Bonds payable*
The fair value of the bonds payable is based on its quoted market price in the Philippine Dealing and Exchange Corporation.

*Liabilities on purchased properties*
Estimated fair value was based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long-term payable was incurred in 2017 and 2012 with 3.00% interest per annum.

The following tables summarize the carrying amount and fair values of financial assets and liabilities, as well as nonfinancial assets, analyzed based on the fair value hierarchy (see accounting policy on Fair Value Measurement), except for assets and liabilities where the carrying values as reflected in the interim condensed consolidated statements of financial position and related notes approximate their respective fair values.

| | June 30, 2020 (Unaudited) | | | | |
|---|---|---|---|---|---|
| | **Carrying Value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Assets measured at fair value: | | | | | |
| Financial Assets | | | | | |
| Financial assets at FVTPL | **₱4,325** | **₱–** | **₱4,325** | **₱–** | **₱4,325** |
| Financial assets at FVOCI | | | | | |
| Quoted equity securities | **10,777** | **10,777** | **–** | **–** | **10,777** |
| | **₱15,102** | **₱10,777** | **₱4,325** | **₱–** | **₱15,102** |
| Assets for which fair values are disclosed: | | | | | |
| Financial Assets | | | | | |
| Loans and receivables | | | | | |
| Installment contracts receivables | **₱309** | **₱–** | **₱–** | **₱313** | **₱313** |
| Loans receivables | **3,562** | **–** | **–** | **3,562** | **3,562** |
| Non-financial Assets | | | | | |
| Investment in listed associates | **163,267** | **79,859** | **–** | **–** | **79,859** |
| Investment properties | **15,162** | **–** | **–** | **26,997** | **26,997** |
| | **₱182,300** | **₱79,859** | **₱–** | **₱30,872** | **₱110,731** |
| Liabilities measured at fair value: | | | | | |
| Financial Liabilities | | | | | |
| Other noncurrent liabilities | | | | | |
| Derivative liability | **₱57** | **₱–** | **₱57** | **₱–** | **₱57** |
| | **₱57** | **₱–** | **₱57** | **₱–** | **₱57** |
| Liabilities for which fair values are disclosed: | | | | | |
| Financial Liabilities | | | | | |
| Lease Liabilities | **₱23** | **₱–** | **₱–** | **₱23** | **₱23** |
| Liabilities on purchased properties | **3,616** | **–** | **–** | **₱8,180** | **8,180** |
| Loans payable | **123,996** | **–** | **–** | **134,528** | **134,528** |
| Bonds payable | **15,048** | **15,567** | **–** | **–** | **15,567** |
| | **₱142,683** | **₱15,567** | **₱–** | **₱142,731** | **₱158,298** |

| | December 31, 2019 (Audited) | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value: | | | | | |
| Financial Assets | | | | | |
| Financial assets at FVTPL | ₱4,698 | ₱– | ₱4,698 | ₱– | ₱4,698 |
| Financial assets at FVOCI | | | | | |
| Quoted equity securities | 12,160 | 12,160 | – | – | 12,160 |
| Other noncurrent assets | | | | | |
| Derivative asset | – | – | – | – | – |
| | ₱16,858 | ₱12,160 | ₱4,698 | ₱– | ₱16,858 |
| Assets for which fair values are disclosed: | | | | | |
| Financial Assets | | | | | |
| Loans and receivables | | | | | |
| Installment contracts receivables | ₱289 | ₱– | ₱– | ₱293 | ₱293 |
| Loans receivables | 3,421 | – | – | 3,573 | 3,573 |
| Non-financial Assets | | | | | |
| Investment in listed associates | 157,618 | 126,216 | – | – | 126,216 |
| Investment properties | 15,347 | – | – | 26,606 | 26,606 |
| | ₱176,675 | ₱126,216 | ₱– | ₱30,472 | ₱156,688 |
| Liabilities measured at fair value: | | | | | |
| Financial Liabilities | | | | | |
| Other noncurrent liabilities | | | | | |
| Derivative liability | ₱53 | ₱– | 53 | ₱– | ₱53 |
| | ₱53 | ₱– | ₱53 | ₱– | ₱53 |
| Liabilities for which fair values are disclosed: | | | | | |
| Financial Liabilities | | | | | |
| Liabilities on purchased properties | ₱3,784 | ₱– | ₱– | ₱2,591 | ₱2,591 |
| Lease liabilities | 311 | – | – | 311 | 311 |
| Loans payable | 105,013 | – | – | 100,622 | 100,622 |
| Bonds payable | 18,939 | 19,120 | – | – | 19,120 |
| | ₱128,047 | ₱19,120 | ₱– | ₱103,524 | ₱122,644 |

As of June 30, 2020 and December 31, 2019, no transfers were made among the three levels in the fair value hierarchy.

Inputs used in estimating fair values of financial instruments carried at cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair value of the Group's investment properties has been determined based on valuations performed by third party valuers. The value of the land was estimated by using the Market Data Approach, a valuation approach that considers the sales, listings and other related market data within the vicinity of the subject properties and establishes a value estimate by processes involving comparison.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of investment properties held by the Group:

| | **Valuation Techniques** | **Significant Unobservable Inputs** |
|---|---|---|
| Land | Market Data Approach | Price per square meter, size, location, shape, time element and corner influence |
| Building and Land Improvements | Cost Approach and Market Data Approach | Lineal and square meter, current cost of materials, labor and equipment, contractor's profits, overhead, taxes and fees |

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group's investment properties are as follows:

Valuation Techniques

| | |
|---|---|
| Market Data Approach | A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale. |
| Cost Approach | A process of determining the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation on physical wear and tear, and obsolescence. |

Significant Unobservable Inputs

| | |
|---|---|
| Reproduction Cost New | The cost to create a virtual replica of the existing structure, employing the same design and similar building materials. |
| Size | Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value. |
| Shape | Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property. |
| Location | Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road. |

| | |
|---|---|
| Time Element | "An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data. |
| Discount | Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent. |
| Corner influence | Bounded by two (2) roads. |

## 14. Contingent Liabilities

In the ordinary course of the Group's operations, certain companies within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the Group's interim condensed consolidated financial position and results of operations.

In addition, in order to partially guarantee the completion of Federal Land's ongoing projects, the Parent Company issued Letters of Guarantee (LG) in favor of Housing and Land Use Regulatory Board for a total guarantee amount of ₱3.76 billion and ₱3.83 billion as of June 30, 2020 and December 31, 2019, respectively.

**GT CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**
**AS OF AND FOR THE PERIODS ENDED JUNE 30, 2020 AND JUNE 30, 2019 (UNAUDITED)**

| (Amounts in millions except ratio and %) | **2020** | 2019 (Restated) |
|---|---|---|
| **Liquidity Ratio** | | |
| Current ratio | **2.02** | 2.04 |
| Current assets | **₱123,149** | ₱132,357 |
| Current liabilities | **60,963** | 64,984 |
| **Solvency Ratio** | | |
| Total liabilities to total equity ratio | **0.96** | 0.97 |
| Total liabilities | **180,732** | 183,015 |
| Total equity | **188,039** | 189,086 |
| Debt to equity ratio | **0.76** | 0.71 |
| Total debt | **142,628** | 133,323 |
| Total equity | **188,039** | 189,086 |
| **Asset to Equity Ratio** | | |
| Asset to equity ratio | **1.96** | 1.97 |
| Total assets | **368,771** | 372,101 |
| Total Equity | **188,039** | 189,086 |
| **Interest Rate Coverage Ratio*** | | |
| Interest rate coverage ratio | **1.88** | 4.31 |
| Earnings before interest and taxes (EBIT) | **6,082** | 13,349 |
| Interest expense | **3,237** | 3,095 |
| **Profitability Ratio** | | |
| Return on average assets | **0.75%** | 1.96% |
| Net income attributable to Parent Company | **2,741** | 7,174 |
| Total assets | **368,771** | 372,101 |
| Average assets | **363,213** | 365,926 |
| Return on Average Equity | **1.46%** | 4.60% |
| Net income attributable to Parent Company (Common) | **2,447** | 6,880 |
| Equity attributable to Parent Company (Common) | **168,490** | 154,231 |
| Average equity attributable to Parent Company | **167,244** | 149,451 |

*computed as EBIT/Interest Expense